

# AUTOMOTIVE EXECUTIVE

OFFICIAL  
PUBLICATION  
OF THE NATIONAL  
AUTOMOBILE  
DEALERS  
ASSOCIATION

August 1983 Volume 5, Number 8



**Spotlight on Service**

**Plus . . .**  
**FTC Chairman on**  
**Fair Credit Advertising**



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## Being of Service

Most of us remember the "service with a smile" slogan that was the bedrock of one major oil company's advertising and public relations program for more than 25 years. It was more than just policy, however; it was practice.

Today, along with other factors, analysts credit that company's declining fortunes to its abandonment of that consumer interest theme. Customers perceive that the business no longer cares.

It's a lesson for dealers because we all know that service—customer satisfaction—means repeat business. And repeat business is a dealership's key to financial success. As Bill Turnbull noted in last month's issue, service and backshop business actually pays many bills for successful dealers today.

But most dealers find the service area most difficult to manage. Labor costs and overhead are high; warranty paperwork is hard to manage; and trained, quality service people are in short supply. Finally, quite frankly, service is the one area that most dealers know least about.

But they should know more.

Service is a lightning rod for legislation and regulatory interests. It draws the most negative media interest. It's the basis for AUTOCAP and a host of consumer relations programs that occupy many hours in each dealership.

Many believe that poor service reputation is the major contributor to the historically poor public image of dealers.

We think service deserves serious consideration in this magazine. Dealers must consider all its aspects—from cost management, to finding trained people, to customer satisfaction.

We're opening a dialogue on service with this issue. We'd like to hear from each of you—your service problems and solutions. If interest warrants, we'll explore the subject further in future issues.

After all, that's why we publish—to help you manage your business more efficiently and profitably. We also hope it's why you read *Automotive Executive*. □

# Executive Notes

**P.S. NADA.** A coordinated campaign to advertise NADA's various consulting and management services was launched in June with the placement of ads in *Automotive News* and *Automotive Executive*.

The services advertised through this campaign represent the country's largest retail automotive consulting team, employing 29 dealership operations' consultants. In 1982, NADA consultants made 13,500 face-to-face contacts with dealers.

Under the umbrella identity of "P.S. NADA," NADA membership programs will run individual monthly advertisements using variations of the P.S. NADA theme. The "Problem Solvers" and "Proven Services" included in this campaign are 20 Groups, Service Systems, Sales Trak, Management Education, Dealer Candidate Academy and Convention and Expositions. ■

**Caldwell elected MVMA chairman of the board.** Philip Caldwell, chairman and chief executive officer of the Ford Motor Co., has been elected chairman of the board of the Motor Vehicle Manufacturers Association (MVMA). He succeeds Lee A. Iacocca, chairman of the board and chief executive officer of the Chrysler Corp. The MVMA term is for one year. ■

**GM's Spanish assembly plant.** GM's newest European assembly plant at Figueruelas, Spain, is the largest overseas expansion project ever undertaken by the corporation. The plant, one of the most modern in the world, is part of GM's overall expansion into the large and growing European marketplace. The 4-million-square-foot plant—one of four new Spanish facilities for GM—produces the front-wheel-drive Opel Corsa, the smallest car ever produced by GM. ■

**RVIA directory and buyers' guide.** The Recreation Vehicle Industry Association (RVIA) has published its "1983 Membership Directory and Industry Buyers' Guide," listing 127 RV manufacturers and 154 RV component parts suppliers.

The new publication will be a resource for all segments of the RV industry—manufacturers, suppliers, dealers and owners. For more information, contact RVIA at (703) 968-7722 or write P.O. Box 204, 14650 Lee Road, Chantilly, VA 22021. ■

**Higher drinking ages help prevent crashes.** From University of Michigan researchers come findings that higher legal drinking ages prevent automotive crashes and injuries to occupants. The studies show significant reductions in alcohol-related traffic accidents among young drivers in Maine and Michigan after those states raised the drinking age in 1977 and 1978, respectively.

Michigan's increase in drinking age from 18 to 21 resulted in an immediate 20 percent (1,100 drivers per year) reduction in alcohol-related injury-producing traffic accidents among 18- to 20-year-olds. Alcohol-related property damage accidents also decreased 17 percent (1,500 drivers per year).

And Maine's increase in legal drinking age from 18 to 20 resulted in a 20 percent (75 drivers per year) reduction in al-

cohol-related property damage accidents among 18- and 19-year-olds. ■

**Diesel car costs jump 40 percent.** Since 1980, the average ownership and operating costs for a representative diesel-powered automobile accelerated by 40.2 percent, as compared to 27.6 percent for its gasoline counterpart, according to the *Runzheimer Reports on Transportation* newsletter. This has pushed total annual costs higher for the diesel than for the gasoline model. ■

**The "Dodge Challenge."** Chrysler's comparison program, the Dodge Challenge, is being conducted again this summer. More than 100,000 people are expected to perform "hands-on" comparisons of Dodge cars and trucks and their competition within a 90-day period, ending September 5.

During this product exposure program, to take place at locations such as fairs and sporting events, consumers will be asked to compare Dodge products and competitive vehicles and indicate on survey forms their choices in major areas of styling, convenience and comfort. ■

**IVECO donates vans to shuttle handicapped.** By the end of this year, eight specially equipped IVECO S-Range vans are scheduled to begin taking handicapped New Yorkers to and from their jobs under a pilot program called "Ride-To-Work." If successful in New York City, the program may be instituted in other major cities as well.

In addition to the donated IVECO vehicles, Ride-To-Work will use donated cars; all drivers will be volunteers. The program, a private sector undertaking, is currently undergoing a 6-month feasibility study. ■

**Award for Chrysler.** Chrysler Corp. has received the Zinc Institute Inc.'s 1983 Award of Excellence for the anti-corrosion protection built into its new-for-1984 family wagons and vans: the Dodge Caravan, Plymouth Voyager and Dodge Mini-Ram Van. The vehicles, scheduled to go into production this fall, each will use more than 1,000 pounds of zinc-coated steel. ■

**NADA service seminars.** NADA is offering five one-and-a-half day service seminars (three for NADA members and two for ATD members) this fall that both dealers and service managers should plan to attend. The NADA seminars will include such important topics as department utilization and analysis, forecasting, effective merchandising and service personnel, while the ATD seminars will highlight business management, gross profit retention, customer relations and quality control.

The NADA seminars are being offered October 13 to 14 in Chicago; November 16 to 17 in Philadelphia; and December 13 to 14 in San Francisco. The scheduled dates for the ATD seminars are September 21 to 22 in Indianapolis; and October 18 to 19 in Atlanta. For further information, contact NADA Management Education at (703) 821-7227. ■



**Whatever it takes, we want to be your F&I company.**

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**Jim Bradley**

**Jim Bradley Pontiac-Cadillac-GMC, Inc.  
Ann Arbor, Michigan**

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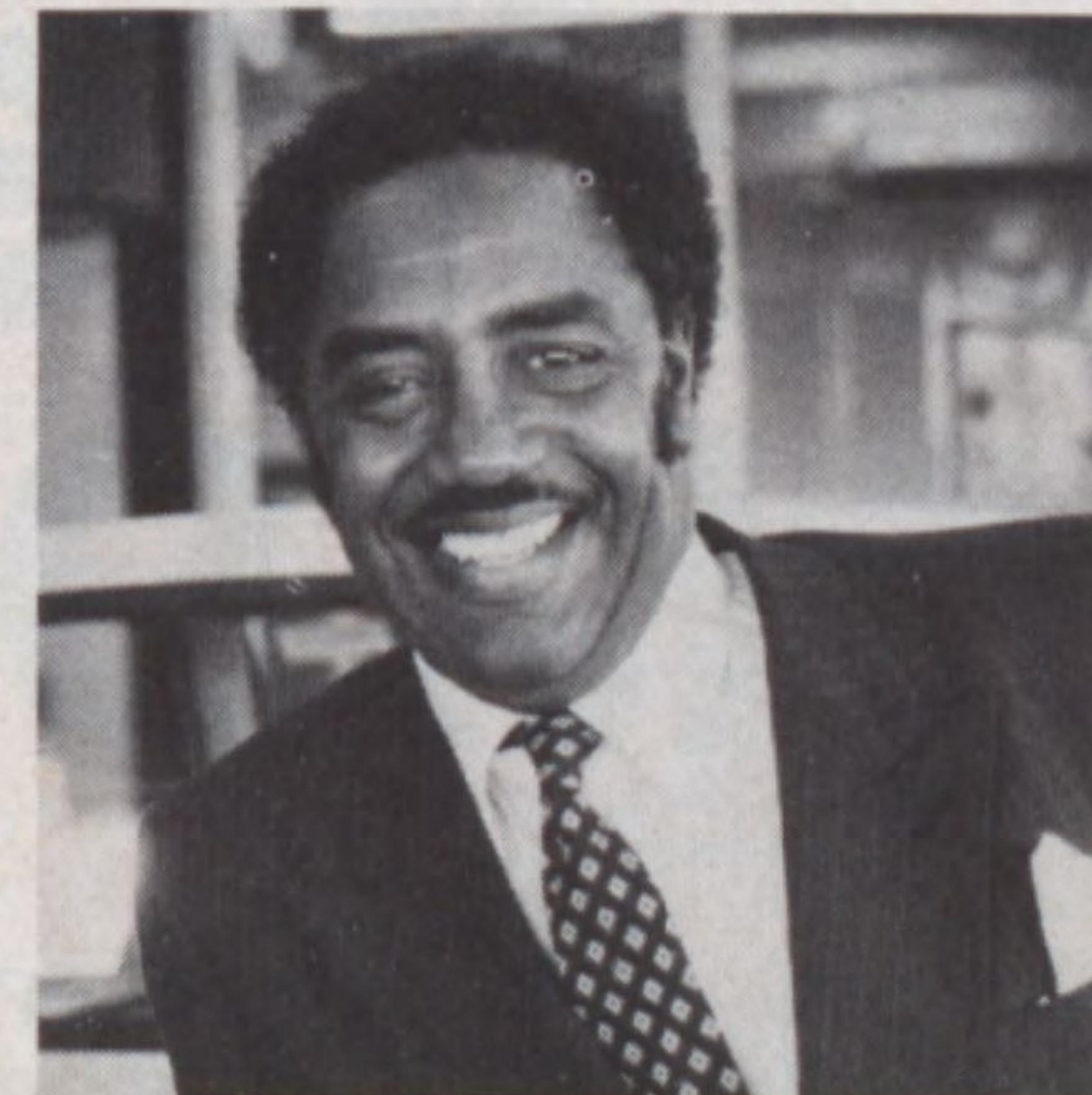
Western Diversified has built their reputation on first-class service, intensive training, and an ability to generate profits for their clients. Jim Bradley believes in Herm Cremeans and Western Diversified, because they've been able to give him the one thing he needs. Results.

*"To be honest, I was reluctant to change, but Herm actually came into the dealership before he had the business, to prove to me how the Western Diversified program works. In a relatively short amount of time he has tripled our credit life sales and worked very effectively with my people."*

*To me, Herm is indicative of the Western Diversified attitude. Positive thinking with positive results."*

The bottom line? It gets better every day with the Western Diversified program.

Just ask Jim Bradley.

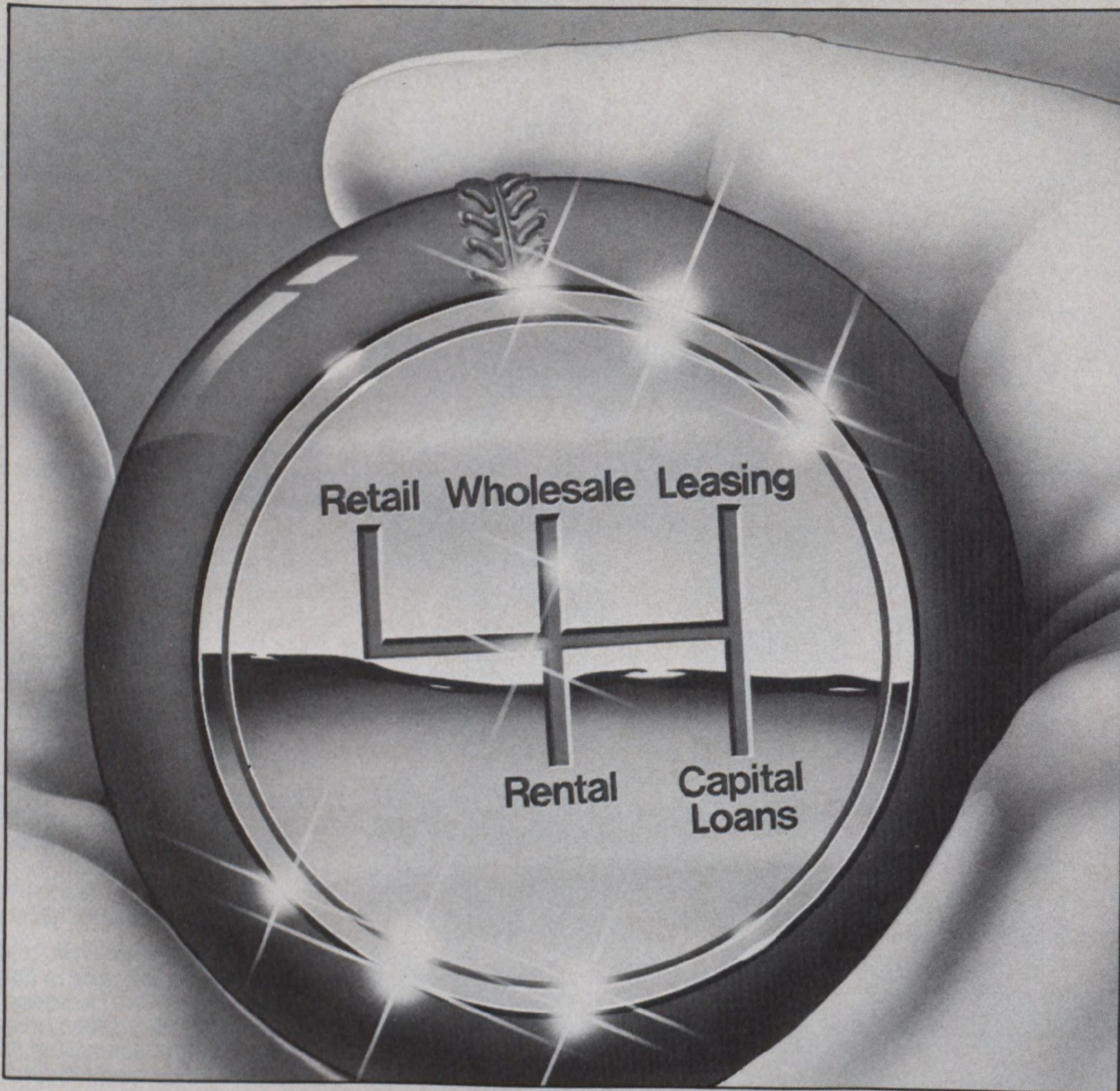


**Jim Bradley**

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Together we have stood the test of time. And more important, of these times.

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THE FINANCING PEOPLE  
FROM GENERAL MOTORS

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# AUTOMOTIVE EXECUTIVE

OFFICIAL PUBLICATION OF THE NATIONAL AUTOMOBILE DEALERS ASSOCIATION  
VBPA

AUGUST 1983 VOLUME 5 NO. 8

On the cover: Automotive Executive turns the spotlight on the service department. Photo by Ken Garrett; special thanks to JKJ Chevrolet, Vienna, VA.

**19**

## **Spotlight on Service: Selling Time, Not Repair Orders**

In this special section, *Automotive Executive* looks at how to improve service profitability.



**28**

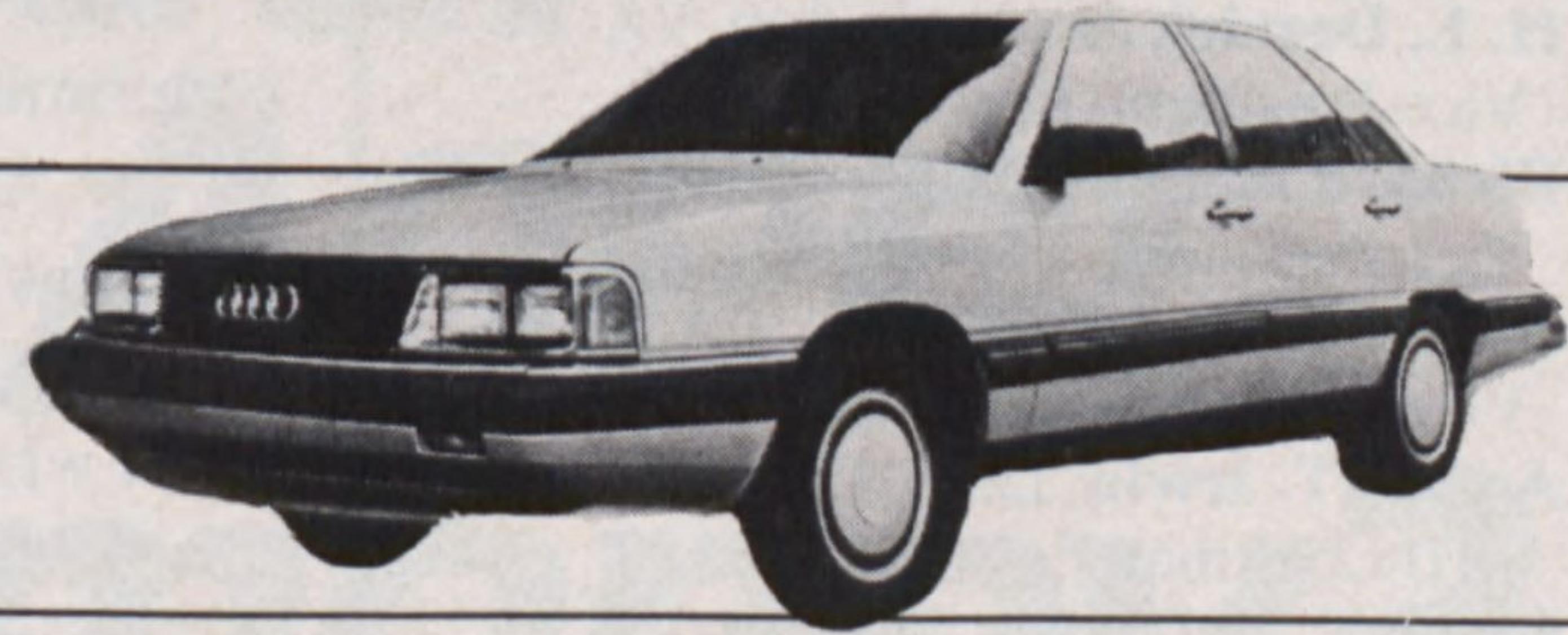
## **NADART: The New, Improved Model**

Managing funds for dealers and their employees is the business of NADART, and business is bullish.

**30**

## **The New Audi 5000S: Blending Aerodynamics With Luxury**

Everything about the Audi 5000's sleek contours sounds a silent "whoosh."



**32**

## **FTC: Protecting Dealers and Consumers From Advertising Deception**

FTC Chairman James Miller talks about the importance of fair credit advertising.



**35**

## **Nissan Begins Production At New Tennessee Plant**

Nissan hopes its crop of homegrown pickup trucks will enable it to better compete in the U.S. market.

**38**

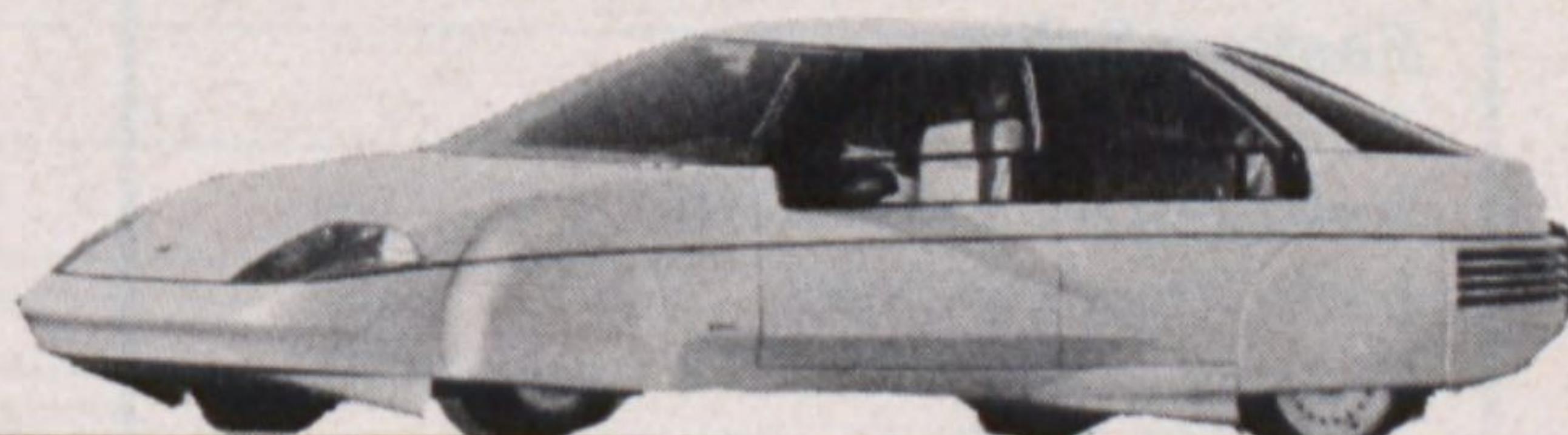
## **Dealer Candidate Academy: Training Tomorrow's Dealers**

Where do aspiring dealers go to acquire the skills they need to run their own businesses?

**44**

## **The Shape Of Cars To Come**

The latest buzzword in automotive design, "drag coefficient," is changing the shape of the industry.



**49**

## **Chrysler: High-Tech Properties From Smokestack Industry**

Among Chrysler's exciting 1984 offerings are the sporty Laser and a new minivan.

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- 1 NADA COMMENTARY**
- 2 EXECUTIVE NOTES**
- 6 20-GROUP IDEAS**
- 9 TAX BRAKES**
- 11 LEGAL BRIEFS**

- 12 OTHER VOICES**
- 16 MONEY SENSE**
- 50 USED CARS**
- 54 SERVICE DEPARTMENT**
- 56 TRUCK FOCUS**

- 58 SELLING YOURSELF**
- 59 FYI**
- 60 BUSINESS IN PRINT**
- 61 SPECIAL SHOWCASE**
- 62 SHOWCASE**

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# 20-Group Ideas

## Top Ideas

**A**part of every meeting agenda for the NADA 20-Groups is the "Idea Session." At these sessions, each member of the 20-Group throws a designated amount of money into a pot. The contributor of the best idea during the meeting takes the money home. We collect these winning tips throughout the year and publish the *NADA 20-Group Idea Book* each February as an added benefit for our program members. Here are some of the best ideas that have been submitted this year:

- An NADA 20-Group dealer used the following idea to gain exposure for his dealership: He contacted the local realtor who handled sales of new homes in a development in his area and arranged to display a new car from his dealership in the driveway of each model home. This technique brought in new customers and increased sales.

- An NADA 20-Group dealer rates his mechanics weekly. He uses a point system that covers attitude, cleanliness, attendance, punctuality and diagnostic skill. At the end of a two- to four-month period, the technician with the most points wins a trophy and a weekend trip for two. (Five comebacks in one month disqualifies a technician for the award.)

- Increase your technicians' productivity. At the end of the day, fill all the technicians' stalls with leftover work. Have all parts laid out with the R.O. so that time is not lost in the morning setting up. When the technicians arrive at 7:00 a.m., they are able to begin work at 7:01 instead of 7:15!

- Do you have a problem with overage used cars? Charge the used car manager interest on the money tied up, just as you do for the new car floor-plan expense.

- Keep track of the cost of the used vehicles you sell for a 90-day period. Compare this with the average cost of cars currently in your inventory. If there is a substantial difference in the figures, you may be having a problem with loss of sales.

- Do you offer a free loaner car in

your lease package when the lessee's car is in for routine service? If your lease has a mileage limitation, be sure to include the loaner car mileage when figuring any excess mileage charges.

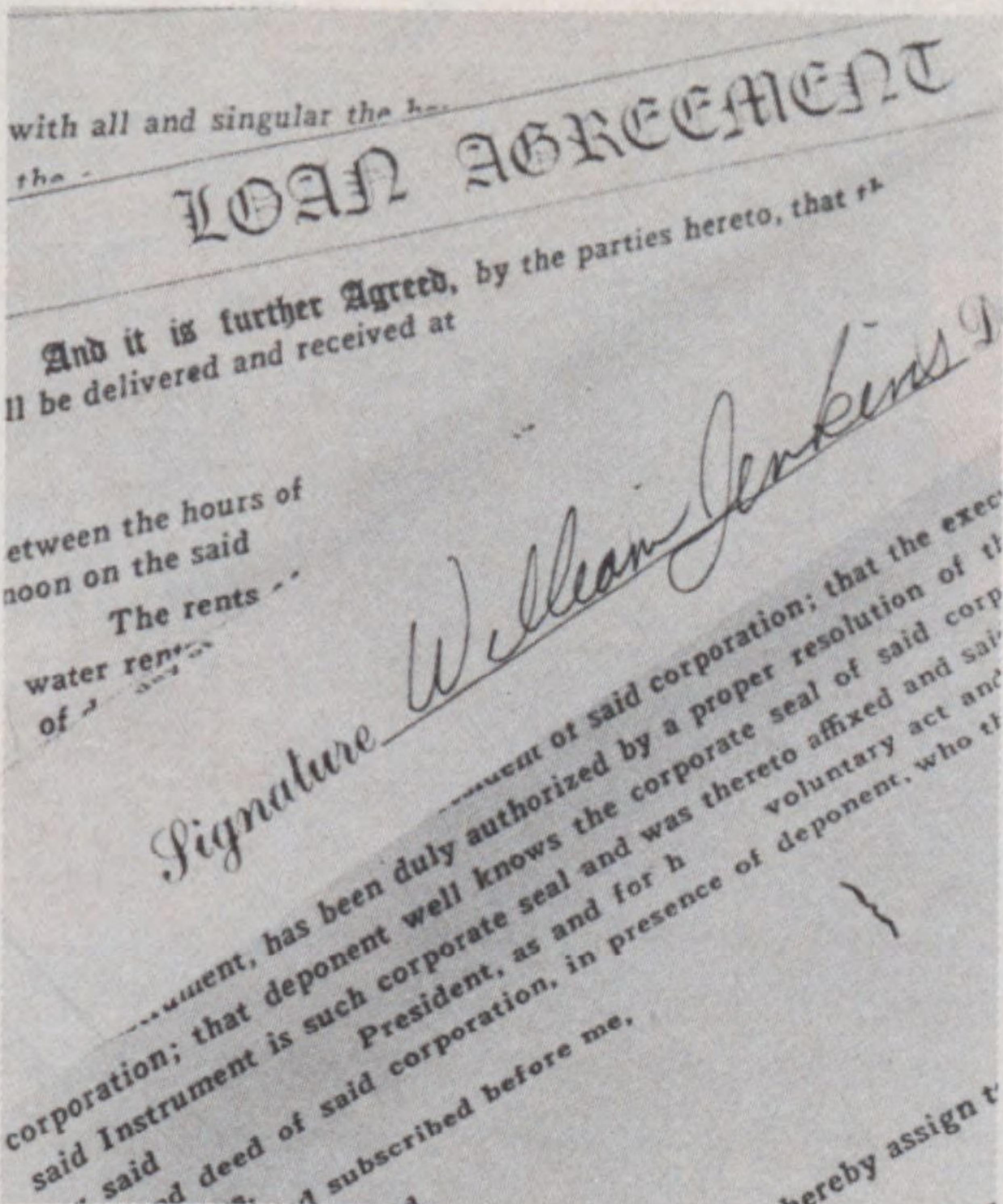
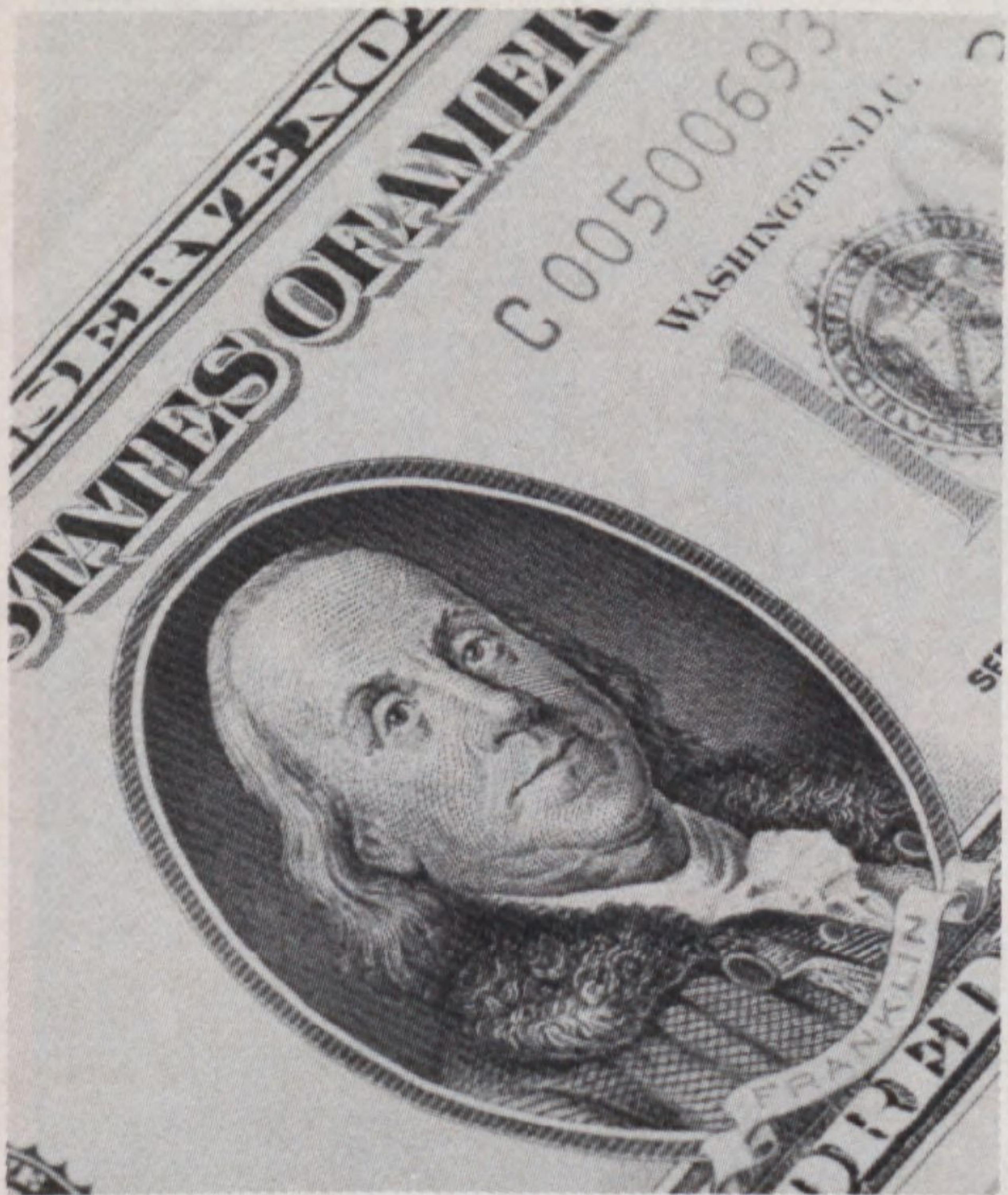
- Get your grosses up! The sales person with the highest single unit gross profit during a 30- to 60-day period keeps the entire gross. (You must eliminate traditional high gross units, such as the Corvette, and you may want to add a unit qualifier.)

- The following idea will help you move those high mileage units: Pay a bonus to your used car salespeople based on mileage. For example, if the salesperson sells used units with a total mileage of 500,000, he or she will get a bonus of \$500. ■

## A Picture is Worth a Thousand Words

Using a camera in your dealership can be well worth the effort. Train an employee in the art of photography (or bring someone on board who has the experience). When vehicles that have been in accidents arrive in your body shop, have your photographer take a complete series of photos showing the damaged unit in detail. These pictures will aid your technician in the repair of the vehicle, be of great value to the customer for insurance purposes and protect your dealership in the event of a product liability dispute.

When a new or used unit is sold, have your photographer on hand to take the customer's picture with the new car and the salesperson who sold it, standing in front of the dealership sign. One print is given to the customer and one goes on the bulletin board in the salesperson's office. In about four weeks, the salesperson follows up seeking additional prospects. Toward the end of the financing period, the salesperson sends the customer a copy of the picture taken when the car was new. The salesperson reminds the customer of the great deal and excellent service received at your dealership, and makes an appointment to discuss purchasing a new car. □



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
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(For more information circle #4)

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## Redemption—A Smart Way To Transfer Your Business

The typical closely held family business was founded and is now run by a one-man gang. If nothing else, he is an entrepreneur. Let's call him Joe Founder. Sooner or later Joe must step down. For most businesses this means a transfer to the next generation. Done right, the transfer is a delightful tax pleasure. Done wrong—an explosive tax disaster.

A redemption—a very simple concept—is one way to do it right. A redemption occurs when a corporation acquires its own stock from one or more stockholders.

The vital question is: "Will the tax treatment to the redeeming stockholder be ordinary income or capital gain?"

The Internal Revenue Code says that if the redemption qualifies as a sale or exchange, the excess of the proceeds over the taxpayer's basis is a capital gain. If the redemption does not qualify, the entire amount is taxed as a dividend.

One way to assure yourself of capital gain treatment is by a *complete redemption*. This means *all* of the stock owned by a particular shareholder must be redeemed by the corporation. Now, that sounds easy enough. But in practice, the rule is complex and can trap you into a dividend. Here's a typical example of how the rule operates.

**Facts.** The percent of stock of the corporation (JoeCo) owned and the relationship between the stockholders are as follows:

Stockholders	Percent Owned
<b>Related</b>	
Father, Joe	40%
Joe's wife, W	20
Joe's son, S	10
Joe's daughter, D	10
<b>Unrelated</b>	
Manager, M	20
<b>Total</b>	100%

**Problem.** Situation 1: Joe wants to have *all* of his shares redeemed by JoeCo, together with *all* the shares owned by W. S. and D. JoeCo will redeem for cash and Joe will stay on the payroll as president of JoeCo.

Situation 2: Same as Situation 1, except Joe alone will redeem.

**Result—Capital Gain?** Situation 1: Yes! Per Rev. Rul. 76-524, Joe has terminated his entire stock interest.

Situation 2: Yes, no or maybe—the answer depends on more facts. It can be a definite yes if Joe does not continue as an employee and files an agreement with the IRS stating he will not acquire any stock in JoeCo for ten years.

If you dot all the "i's" and cross all the "t's" you always can be assured of a capital gain. One warning: this article does not attempt to give you all the rules, exceptions or tax traps. To get the tax results you are entitled to, work with an expert. ■

### A Corporate Tax Trap—Capital Losses

What happens when your corporation has a capital gain or loss? When you have a capital gain it is taxable the same as any other income, but not at more than a 28 percent rate. Capital losses, on the other hand, cannot be deducted against other income, but can be carried back or forward to offset capital gains. Unfortunately, if you can't come up with offsetting capital gains, the losses are wasted.

Here's a way out of this tax trap—create capital gains. How? Buy "leveraged" deep discount U.S. or corporate bonds. Leveraged means you borrow a portion (usually up to 80 percent of the bond's value) of the bond cost and pledge the bond as collateral; this allows you to buy more bonds with less cash. When the bonds mature, the discount from face value is considered a capital gain. Your corporation actually saves taxes twice: first, by converting ordinary income (the earnings on any other normal investment) into capital gains; and second, by offsetting these gains against the trapped capital losses.

One final point—the interest expense (in excess of the interest earned on the bonds) resulting from the loans used to leverage the bond purchases is deductible. ■

### Tax-Free Income Knocks Out Interest Deduction

The general rule, as everyone knows it, is that interest payments are deductible. But there is an important exception: you are not entitled to an interest deduction on funds you borrowed to buy (or carry) municipal bonds (or other tax-exempt securities)—so speaks Section 265 of the Internal Revenue Code.

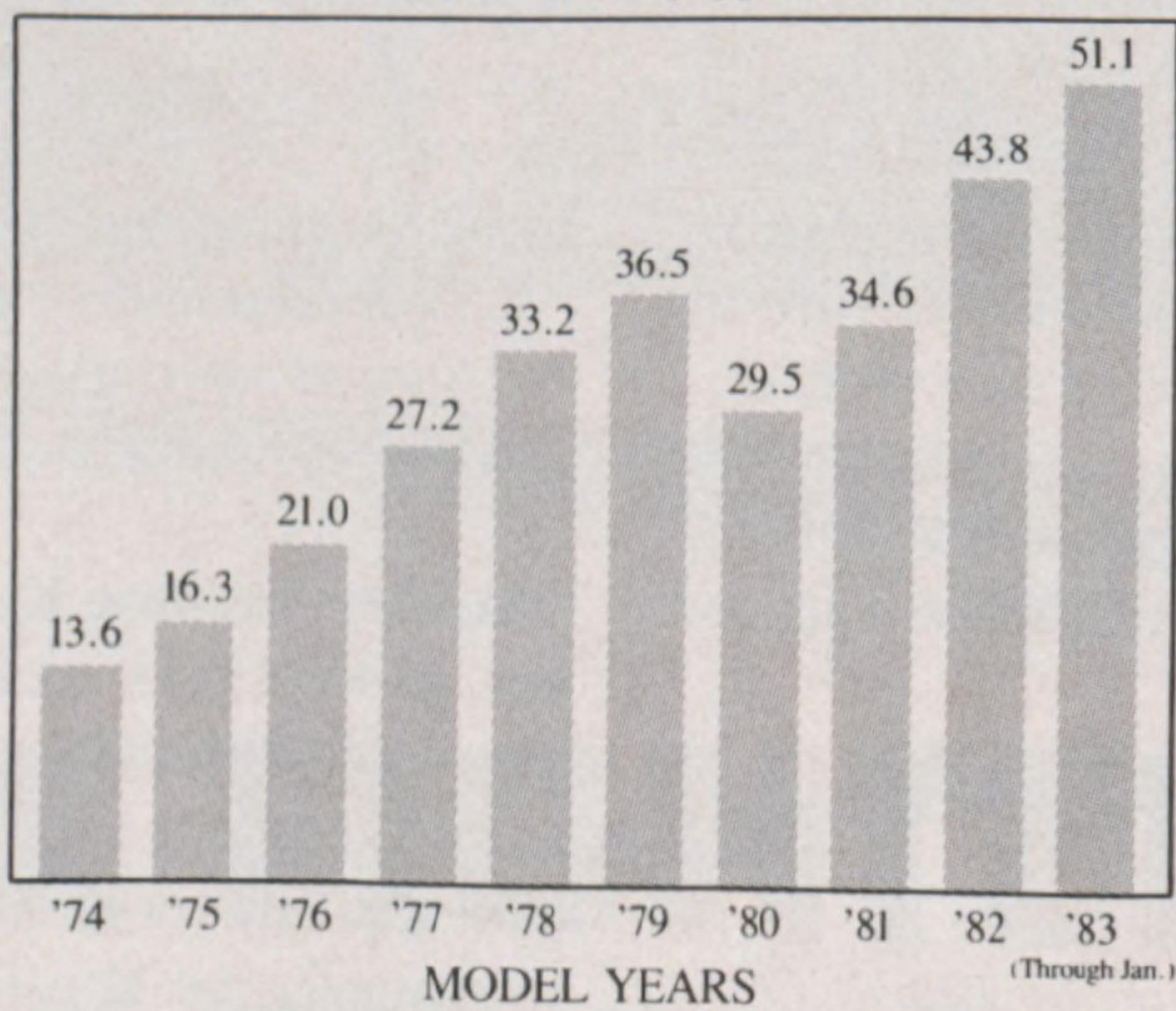
Taxpayers are forever trying to devise methods of getting the interest deduction for borrowed funds by camouflaging their tax-exempt purchases. But the IRS keeps a watchful eye.

Here's a story that's in the "nice try" category: For more than a quarter of a century Bernard purchased large amounts of stock on margin. Then he began to purchase tax-exempts for cash, but continued his margin account activities. The IRS said that was a "no-no;" it tied the margin loans to the tax-exempt and disallowed a portion of the margin account interest. Bernard cried foul and maintained the loans were used only to buy and hold stocks that paid taxable dividends. The court swept away his argument, pointing out that Bernard could have reduced his margin loans by simply liquidating his tax-exempt holdings (see McDonough, 577 F.2d 234).

For readers who hold tax-exempt securities, this case should be a warning signal to you—the IRS is out to kick over any scheme that results in an interest deduction when the loans are invested in tax-exempts. If you are in such a posture, review your situation with a tax professional. ■

# Tilt-Wheel means Business.

Percentage of GM light trucks equipped with Tilt-Wheel.



Over 50% of the GM light trucks  
being built today are Tilt-Wheel equipped.  
Is your inventory in line with  
the demand?

**Tilt-Wheel Steering**  
SAGINAW STEERING GEAR DIVISION, GENERAL MOTORS CORPORATION

What could be more basic to selling light truck comfort?

## Requirements Outlined for Proving Price Fixing

The U.S. Court of Appeals for the Ninth Circuit has tightened the requirements for showing a price-fixing conspiracy in the context of a dealer termination case.

In a suit involving a dealer of Amana refrigeration products, the district court decided in favor of the manufacturer, Amana, on the federal and state antitrust claims. In his appeal, the dealer alleged that the reason for his termination was that other dealers had complained to Amana about the dealer's discount pricing of Amana products, thus raising the issue of conspiracy (*Filco vs. Amana Refrigeration Inc.*, No. 81-4604, CA 9, June 10, 1983).

On review, the Ninth Circuit ruled that before a finding of illegal pricing is established, it must be clear that there is sufficient evidence of a conspiracy between the manufacturer and the other dealers. Citing *United States vs. Colgate Co.*, 250 U.S. 300 (1919), the court stated that a unilateral refusal to deal by a manufacturer is not illegal. Moreover, after a manufacturer announces its prices, it may simply refuse to deal with anyone who does not follow the announced prices, if coercion is not used.

The court then examined what was required to prove coercion, holding that it is impossible for a jury to find a conspiracy based only on complaints of competitors and a dealer's termination. The rule, according to the court, is that the terminated dealer must show evidence of direct coercion or else a causal link between the competitors' complaints and the termination.

### Mid-Atlantic Toyota Antitrust Litigation Continues

The proposed settlement of six class action suits brought in 1980 alleging price fixing on protective sealants applied to new cars has come to a standstill (*In re Mid-Atlantic Toyota Antitrust Litigation*, MDL-456).

The five mid-Atlantic states of Virginia, West Virginia, Pennsylvania, Maryland and Delaware, plus the District of Columbia, brought the suits, charging more than 100 dealers with conspiracy for joining with the Toyota distributor and fixing prices through adoption and participation in a program in which sealants were applied to new cars. A settlement was proposed and approved by the court on May 27, 1983, giving the Toyota dealers 45 days in which to accept the settlement. According to the proposal, the distributor defendants named in the suit were to pay \$135 in restitution or a certificate worth \$250 toward goods and services to each of the estimated 36,000 consumers who bought a 1980 Toyota with the protective package (or a total of \$2.9 million). By the June deadline, however, only one-third of the 100 named dealers had accepted the proposal. The state has decided to settle with the dealers who did sign and prosecute those who did not. Reimbursements to Toyota owners, scheduled to begin in March, 1984, may be delayed depending on whether the case is settled out of court or goes to trial. NADA's Legal Group will continue to monitor the situation and keep dealers informed of its progress. ■

### Manufacturer's Financing Subsidiary Can Be Sued Under Federal Good Faith Act; May Have Fiduciary Duty

In a recent lawsuit by a dealer against Ford Motor Co. and Ford Motor Credit Co. for alleged violations of the federal Good Faith Act (15 U.S.C. Section 1221 et seq.) and the United States antitrust laws, it was held that the manufacturer's financing subsidiary may have liability based on several theories. In a unique ruling that denied the defendant's motions to dismiss, a U.S. District Court declared that Ford Credit may be liable to the dealer even though Ford Credit is not a "manufacturer" as defined in the federal act and was not a signer of the franchise agreement (*DeValk Lincoln Mercury Inc. vs. Ford Motor Co., et al.*, U.S. Dist. Ct., No. Dist. IL, Eastern Div., No. 81 C4072, Nov. 10, 1982, Reported April 1983).

Reasoning the federal Good Faith Act must be understood broadly in order to make it effective, the court defined the term "manufacturer" in the act to include "nontraditional" manufacturers on agency grounds. Also, the court did not automatically dismiss Ford Credit because it was not a signer of the franchise agreement. Rather, the court ruled that the applicable case law mandates only the amount and kind of proof required for a finding of liability on such a party. Finally, the court held that the dealer's claims that the manufacturer and the subsidiary owed a fiduciary duty, and that the business shareholders can be defined as "dealers" under the federal act, all withstood a motion to dismiss at this stage of the trial.

The dealer may now proceed to trial on the merits of his complaint. ■

### Federal Law Applies to Procedural Issues Involving State Dealer Laws

To stop the establishment of a new motorcycle dealership, an existing motorcycle dealer sought an injunction in state court under the New Mexico Vehicle Dealer's Franchising Act. After removal of the case to federal court, the preliminary injunction was denied and the dealer sought an appeal (*Bobby J's Yamaha Inc. vs. Yamaha Motor Corp.*, U.S.A., Nos. 82-1127, 82-1244, CA 10, May 26, 1983).

In the appeal, the dealer argued that the court erred in denying the injunction when it followed federal law and not state law. The U.S. Court of Appeals for the Tenth Circuit held on the appeal that there was no error in denying the injunction because federal law controls matters affecting procedure. The decision to grant or deny a preliminary injunction is discretionary and procedural. Additionally, state standards do not differ from federal standards on this issue; thus the outcome of the case is not altered by applying federal law. □

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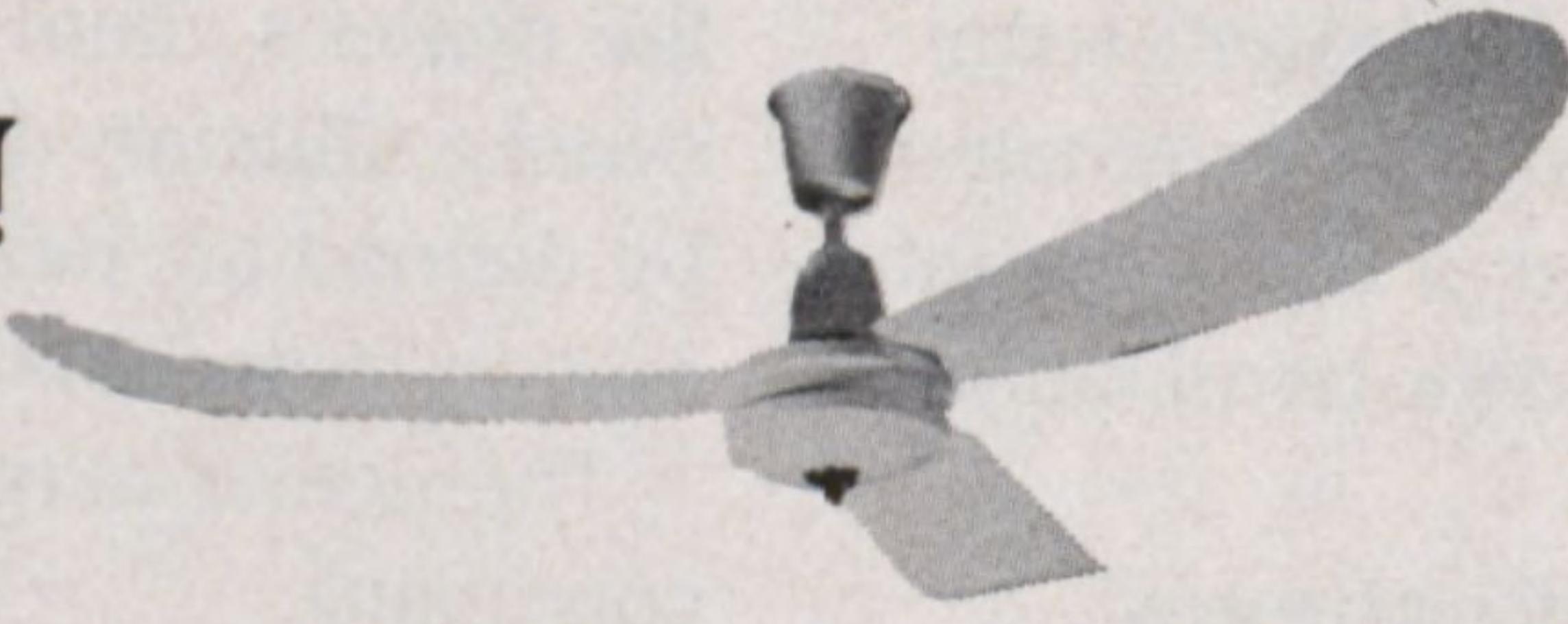
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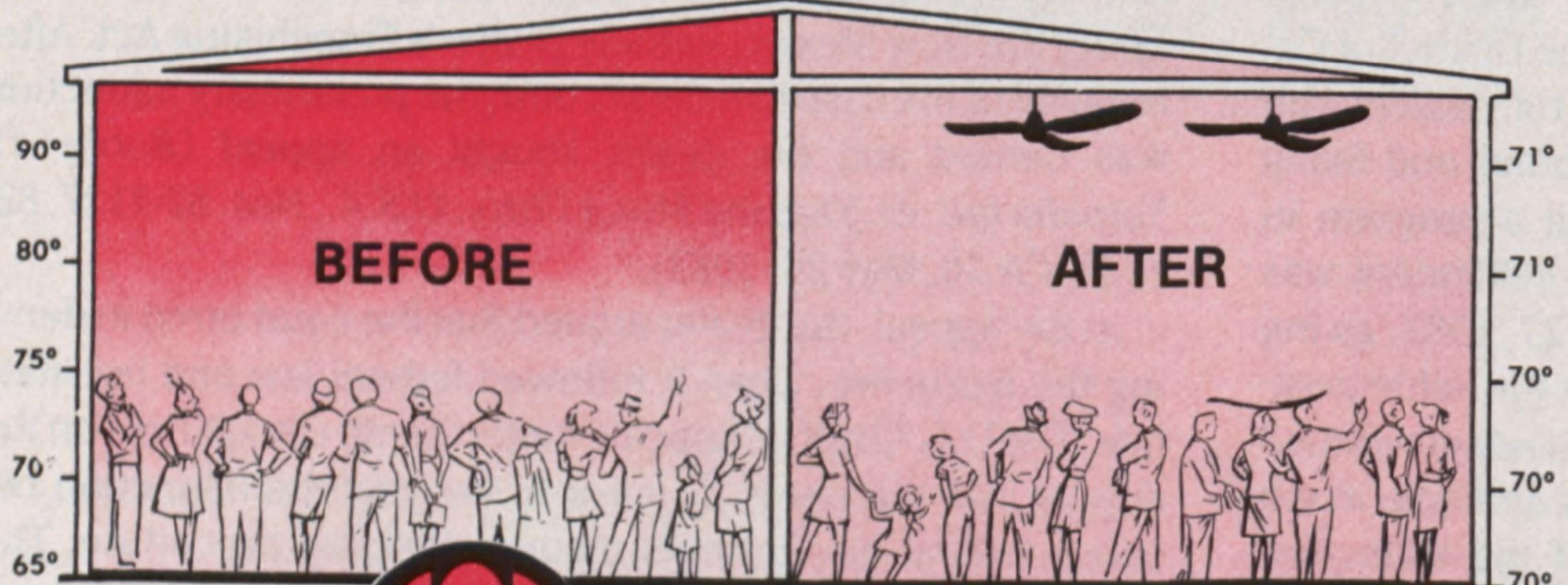
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## Other Voices

### Fleet Subsidy Legislation

We have just mailed to our 88 dealer members the reprinted copy of Rep. Gene Taylor's article on "Fleet Subsidy Legislation and H.R. 1415" that appeared in the June issue of *Automotive Executive*. This article should be reading material for every automobile and truck dealer in the country.

**Jerry Thorpe**  
**Automobile Dealers**  
**Association of**  
**Eastern Ohio**  
**Youngstown, OH**

In response to your article concerning H.R. 1415, I have contacted all of New Mexico's representatives expressing my support for this type of legislation.

To date I have received one positive response, from the congressman in my district, Manuel Lujan Jr. In his letter he says, "Thank you for taking the time to contact me regarding H.R. 1415, legislation to protect franchised auto dealers from unfair price discrimination in the sale by the manufacturer or importer of new motor vehicles. This legislation has my support. It seems like the only fair thing to do."

I feel very strongly that this legislation is vitally needed to protect the franchised dealers.

**W.E. Black**  
**Ed Black's Chevrolet Center**  
**Albuquerque, NM**

### Raves for "The Service Department"

I consistently enjoy reading "The Service Department" in *Automotive Executive*. The column in May, "Performance Evaluations," really struck home. I've always been in positions requiring me to evaluate others since I was first an automotive instructor.

Thank you for directing our attention toward being effective in evaluating employee performance.

**Carl Thompson**  
**Telegenix Inc.**  
**Cherry Hill, NJ**

**Another Fan of Joe Girard Speaks Out**  
I have just started in the car business as



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# Registration

Registrations will not be accepted without latest financial statement.

Please register the following people to attend the 1983 NADA Service Seminar at the:

**Hyatt Regency O'Hare, Chicago**  
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\$70/Night + Tax **Single Room**  
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will close September 9, 1983.

**Holiday Inn, Philadelphia**  
**November 16-17, 1983**  
\$50/Night + Tax **Single Room**  
\$50/Night + Tax **Double Room**

Advance Registration by Mail  
will close October 14, 1983.

**Amfac Hotel, Los Angeles**  
**December 13-14, 1983**  
\$66/Night + Tax **Single Room**  
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Advance Registration by mail  
will close November 10, 1983.

I understand that the NADA member registration fee, which covers a **DINNER** and **SEMINAR MATERIAL**, is \$495 for the dealer (or general manager) **AND** service manager. Additional managers may attend for \$245 each. The Non-member registration fee is \$560 for the dealer (or general manager) **AND** service manager, and \$280 for each additional manager.

Dealership Name		Phone						
Address		City		State		Zip		
PARTICIPANT NAME	TITLE	MEMBER FEE	NON-MEM FEE	SINGLE ROOM	DOUBLE ROOM	NONE	ARRIVAL DATE	DEPART DATE
		\$495	\$560					
		\$245	\$280					
		\$245	\$280					
Total Registration Fee								

**NOTICE:**

Special seminar room rates cannot be guaranteed after the close of advance registration (see close date above). After the close date, call (703) 821-7227; hotel rooms will be assigned on a space available basis at prevailing hotel rates. All telephone registrations must be billed to a VISA or MASTERCARD account. Cancellations must be made through NADA prior to close date to qualify for full refund and followed by a written request. **Registration fees will not be refunded to anyone cancelling after close date.**

The registration fee for \_\_\_\_\_ person(s) is enclosed. \_\_\_\_\_ Check \_\_\_\_\_ VISA \_\_\_\_\_ MASTERCARD

Credit Card  
Account Number \_\_\_\_\_ Expiration  
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Authorized Signature \_\_\_\_\_ Date \_\_\_\_\_

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NADA Management Education, 8400 Westpark Drive, McLean, Virginia, 22102.

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a salesman and would like to get in touch with Joe Girard to get all the information I can on how to build my business. I am not the type of person to sit and wait for my "up" to walk in. I am looking for the tools to get started right.

I read Joe Girard's book, *How to Sell Anything to Anybody*, and it gave me a lot of good ideas. We sell Porsche, Audi and Subaru, and are building the overall business slowly. We as a whole sell 30 to 35 cars a month, and I can't help but feel that I alone should be able to sell that many. I know with the correct guidance I can do this.

**Rod Johansen**  
**Bakersfield, CA**

*Editor's Note:* You can write to Joe Girard at Girard Productions Inc., P.O. Box 358, East Detroit, MI 48021, (313) 744-9020.

#### **Toyota City and NIASE**

I read with great interest the nice story about Julian Garcia's Toyota City dealership in the June issue of *Automotive Executive*. What I particularly noted was his idea of "building customer loyalty in the backshop." Naturally, I was curious if his mechanics are NIASE-certified, since there was no reference to this in the story.

If they are, we hope he proudly displays the NIASE sign—if not, we hope he will give serious consideration to this possibility.

Our congratulations to Mr. Garcia on operating such a model establishment.

**Barry McNulty**  
**National Institute for**  
**Automotive Service**  
**Excellence**  
**Washington, DC**

*Editor's Note:* Toyota City has five line mechanics, four of whom are fully certified by NIASE.

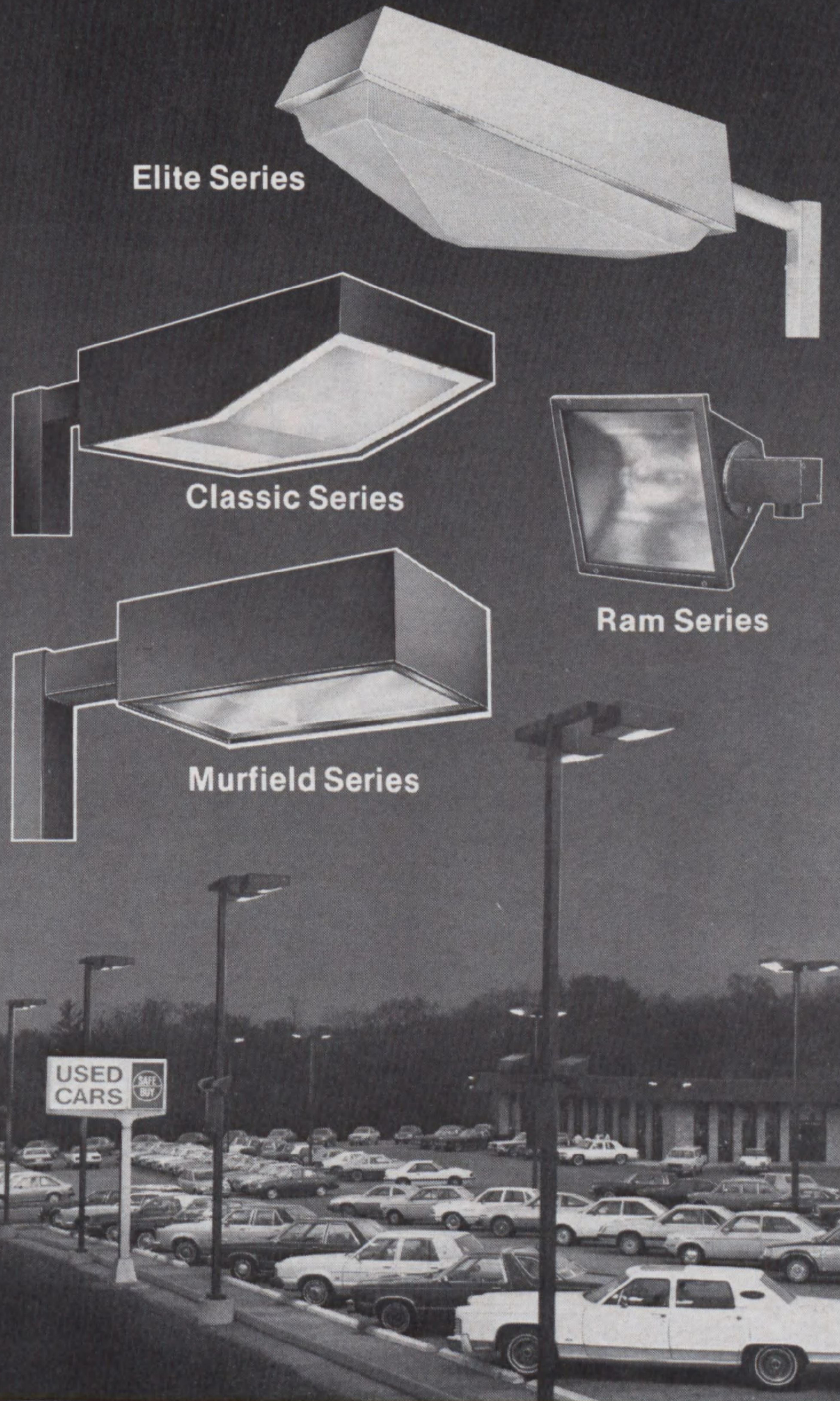
#### **Update on Odometer Crackdown**

I thought readers might be interested to know that so far NADA has received letters of support for its Odometer Tampering Resolution from 25 state governors, 20 state attorney generals and 19 state motor vehicle administrators.

**Moe Hamilton**  
**NADA regulatory affairs**  
**McLean, VA**

*This column, "Other Voices," provides a forum for our readers' opinions and comments. We invite you to submit letters about the magazine's content or the automotive industry in general to: Other Voices, *Automotive Executive*, 8400 Westpark Drive, McLean, VA 22102-3593.*

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## Commodity Options: Understanding a New Market

**A** new investment has recently come on the market—exchange-traded options on futures. Introduced only last October, options on futures give an investor the right to buy or sell contracts on or before some expiration date in the future, at a prearranged price. Essentially, the investor can trade on his or her predictions of how commodities such as gold and sugar, or financial instruments such as Treasury bonds or stock indexes, will behave over time. Moreover, unlike in the past, the investor can now trade those options in a regulated, exchange-oriented environment.

### Consider Risk

Because options are not without risk, they should be viewed as speculative. But for those who can afford to risk some capital, the options or futures market can offer substantial rewards.

Options on futures are actually options on futures contracts. A "futures contract" is a promise to buy or sell a commodity, financial instrument or index at an agreed-upon price at a specified date. For example, if an investor believes that the price of gold is going to soar, he would buy a "futures" contract. This way the investor would buy gold for delivery at a future date but at a current price that will be lower than that available at the delivery date.

An "option," on the other hand, is the right, but not the obligation, to buy or sell a futures contract at an agreed-upon price on or before a specified date. The difference between the two is that a futures contract must be "offset" by the purchase or sale of that contract—or the investor will have to make or take delivery of the underlying instrument, be it gold, sugar or Treasury bonds. In reality, most futures contracts are "offset." And, in options as well as futures, the buyer and seller do not exchange funds directly. Transactions are matched through a clearinghouse that services the exchange.

Unlike a futures contract, an option can expire "unexercised." This means that the option holder can choose to forego his right to buy or sell that futures contract, with his only loss the "premium," or the price he paid for the option.

An options seller, or "writer," can take on considerably more risk. If an option is exercised, the writer must buy or sell the future contract at the "strike" price—the specified price in the options contract.

There are two kinds of options: puts and calls. A put is the right to *sell* a futures contract at a specified price by a specified expiration date. A call is the right to *buy* a futures contract at a specified price by a specified expiration date.

Consider this example of how an option works: Investor A believes that the price of gold, and therefore of gold futures, is going to rise. Investor B thinks the price will drop. Gold futures are currently trading at 504.20 (or \$504.20 per ounce in a 100-ounce contract, thus worth a total \$50,420). Investor A buys a call option at a strike price of 500. He pays a premium of \$23 per ounce, or \$2,300 for the contract.

Gold futures soar \$50 per ounce to \$550 (\$55,000 per contract). Investor A exercises his option for a profit of \$50 per ounce. Considering the premium he paid of \$23, his net gain, before commissions, is \$27 per ounce, or \$2,700 for the contract. He has more than doubled his investment in a short period. Investor B, the seller, would have lost that amount.

In reality, Investor A would probably sell his option for its current, higher premium of, say, \$5,000, rather than take delivery of the futures contract. Investor B most likely would have offset his option by purchasing a call, or may have bought the underlying futures contract before it rose substantially in price.

### Safeguards

To safeguard against extreme losses, the Commodity Futures Trading Commission (the federal agency governing commodities and options trading) and the exchanges themselves enforce several rules. For one, an option seller must post "margin;" or a good faith deposit, with the exchange through a registered broker, or Futures Commission Merchant (FCM). If the seller incurs a loss, his margin account is depleted by that amount. If the margin falls below a "maintenance" level, the seller must deposit more funds with his FCM to bring it back to the "initial" margin level.

Currently, there are six exchange-traded options contracts. Launched in early October were options on gold futures on the Commodity Exchange (Comex) in New York, sugar futures on the Coffee, Sugar & Cocoa Exchange in New York and Treasury bond futures on the Chicago Board of Trade. Then on January 28, 1983, options on stock index futures began trading on the Chicago Mercantile/Index and Options Market (for the Standard & Poor's 500) and on the New York Futures Exchange (for the New York Stock Exchange composite). On March 4, 1983, options on the Kansas City Board of Trade's Value Line stock index futures contract began trading on the Chicago Board of Trade. Approved by the CFTC but not yet traded are gold futures traded on the Mid America Exchange in Chicago.

Potential investors in the options market should:

- Know their Futures Commission Merchant. If you are solicited by a broker who is unknown to you, be sure to verify the broker with the futures exchange.
- Compare FCMs. The commodity options market is still in its early stages; commissions vary widely. Shop around for the level of expertise and cost that best suits you.
- Read the disclosure statement. Your FCM is required to provide you with the statement before you do any business. It explains the nature and risks of the options and futures market. Make sure you understand the options process, its terminology and how to calculate your break-even price, because the market is subject to continual change. □

This column is prepared as an automotive exclusive for **Automotive Executive** by Bill Waters, Director of Marketing Services with Merrill Lynch, Pierce, Fenner & Smith. Reader comments and inquiries should be sent to: **Money Sense, Automotive Executive, 8400 Westpark Drive, McLean, VA 22102-3593.**

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## Spotlight on Service

# Selling Time, Not Repair Orders

by Ted Orme

As members of perhaps the largest consulting organization in the franchised dealer business, NADA's Service Systems professionals seem to be perfectly placed to comment on the current state of service business.

Jack O'Neill and Bob Frawley have talked with more than 3,000 dealers over the past three years. The two, who have a total of 56 years' experience in the wholesale and retail automobile business, summarize the comments of many dealers in the following story.

**D**o you know much about your service department? If you don't, you aren't alone. "The vast majority of dealers have little to no idea what actually happens in the back shop," according to Jack O'Neill, manager of NADA's Service Systems program, who paints a grim picture of the current state of the art.

According to O'Neill, only 55 percent of all dealer service facilities are utilized. The efficiency rate of those facilities that are used is only 85 percent; and, perhaps more frightening, the productivity level of technicians is estimated at about 75 percent.

"The unrealized potential for service sales is tremendous," says O'Neill. "We have found that dealers turn away more business than they take through their doors because of improper handling of customers and service personnel. That just robs from the profits."

"And the money lost is net profit dollars, not gross," adds Robert Frawley, marketing director of NADA's Industry Analysis and Dealership Operations (IA&DO), which administers the Service Systems program. "Most dealers don't understand that they have already paid the expenses of the service department, and that money not coming back to them is really *net* profit going out the window."

How can dealers overlook this untapped profit potential?

"Let's face it," says O'Neill. "Service is not the glory end of the business, and 90

percent of your dealers come from the glory end of the business—sales. If sales have been bad, they don't want to make any more waves in the dealership by tackling service problems and, if sales have been good, they ignore the service department. Either way, they don't face the problems. The tail ends up wagging the dog—the technicians run the shop.

*Taking time to talk with the customer can mean more business for the dealership in repeat sales and service.*



"If the industry ever wakes up and takes a long look at the service and warranty end of the business, they will find more dealers and factories lose customers during the warranty period than at any other time," O'Neill notes. "And it all starts with a negative attitude toward warranty service. The factory is always on the dealer's back about warranty. The dealer and service manager are sick of hearing about it, the technician doesn't like the labor rate, and the service writer has no incentive to sell it."

"So service is bad, and the customer says 'damn if I'm coming back here to get treated like that.' He can't wait until his warranty is up to take his business someplace else. Chances are he's never going to buy a car from that dealer again. And he will tell all his friends about that, too."

If O'Neill sounds frustrated, it is because he is convinced that he offers the remedy for dealer service problems. The NADA Service Systems "Time Control" program offers dealers an effective

means to manage the myriad details of a service department and its *real* level of productivity. Yet, despite the resounding success and glowing recommendations of those who have installed the system, only 120 dealers have taken advantage of the program in the past two years.

"It has been a tough program to sell," admits Frawley, one of the program's originators. "The dealers have every reason why not to use a better service system. But boy, you mention Sales Trak and their ears perk right up."

"They tell me 'I can't afford it,' but then you find out they just bought a \$50,000 computer, a \$30,000 team concept program or a new \$25,000 piece of diagnostic equipment," adds O'Neill. "He's sure one of these is the magic potion he needs to cure his service problems. In six months you go back into that shop and often find that diagnostic equipment in some corner with a thick coat of dust on it."

"And when the teams don't work, he can't figure out why," Frawley elaborates. "The fact is, teams are a production system. You have to have a lot of business to make them work, and you have to control service time. If you don't, the teams can really cost you money, because you are dealing with variable pricing and pay rates. What happens in far too many cases is a team bids the job at the lowest price rate and winds up paying the highest labor rate."

"The average dealer who buys a merchandising program is only going to make his loss greater, because chances are it costs him money every time he writes a repair order," he adds.

The key to the problems of most service departments, says Frawley, is the practice of selling a certain number of repair orders, rather than time. "This approach disregards entirely the amount of time that is written on these RO's. And time is all you have to sell in a service department."

"You want to know why service advisors don't sell labor?" asks O'Neill. "Because they don't want to spend from 4 to 6 p.m. Monday through Friday with customer problems. They don't want problems, so they don't sell problems. In a lot of service departments everything ends on Thursday afternoon. If a customer knows he can't get his car fixed until Monday, he's not going to take it there, is he?"

"The technician knows he's got a check coming at the end of the week for



By using NADA's "Time Control" System, dealers have an effective means of managing the myriad details of a service department and its real level of productivity.



40 hours' work and he doesn't care who provides it as long as the dealer signs it. And the dealer *does* sign it. In fact, that is one of the biggest problems service departments have—more time paid than time billed."

O'Neill recalls one dealer he analyzed who gave 93 cents out of every dollar earned by his service department to his technicians. And that was *before* expenses! "When I offered him our service he said, 'I can't afford to have you come out, I'm losing too much money.' With nine technicians and 17 stalls, we figured the guy was losing better than \$50,000 a month in labor and parts potential. And to make matters worse, the factory had just talked him into spending \$100,000 on enlarging his service facilities."

O'Neill points out that often it is not necessary to enlarge or improve facilities if you make the most of what you already have. He tells of another dealer who called him before embarking on a million-dollar expansion of his service department. "But instead he installed our time-control system and achieved everything he wanted right within the walls of the current facility."

Unlike many outside programs which may be expensive, rigid and grandiose, the NADA Time Control system is basically a diagnostic tool that allows the dealer to spot problems and bottlenecks and take action to correct them. It all boils down to identifying the amount of time (labor hours) available in the service department, and then managing and selling it properly. Once the dealership knows exactly how many hours can be sold in a day, time is budgeted for each RO, the technician's time is

pre-planned daily and work is scheduled by appointment. There is systematic follow-up on time allowed for a job, the status of each repair and the actual time taken. The customer is happy to get his car when promised, and the dealer, thanks to coherent time control, knows at a glance what is going on in his service department at any given hour.

"There is no waiting, no development," says Frawley. "The results we say are there will be evident from the very first day the consultant puts the program in. And all kinds of improvements evolve from it."

With the Time Control system there is no more early-morning chaos in the service lanes. Low productivity is spotted and corrected, and mechanics have an opportunity to make more money. Internal repair orders for new and used cars are completed on schedule, and service writers can spend more time with each customer, thereby improving the accuracy and profit of each RO written.

"An additional benefit of this system is that the dealer's labor dollars are going to increase and, if he is anywhere near a \$1 labor to \$1 parts ratio, he is automatically going to increase his parts sales," adds Frawley.

"The NADA system also measures individual productivity and sometimes," O'Neill says with a grin, "dealers get a big surprise. The guy with the biggest paycheck may be doing the least work because he gets all the gravy jobs. The service manager likes him better. Also he might be turning only 75 percent of the time he has available. That means he's costing the dealer 25 percent in lost work plus whatever potential is missed

in sales." But O'Neill points out it won't do you much good to get the technicians up to par if the service manager refuses to manage.

"You don't get this problem near as often with sales managers, because most dealers cure their sales problems every other week. But we run into a lot of service managers with 30 years' experience who still use 30-year-old techniques. They are not sales- or people-oriented, but they are in charge of a \$500,000-a-year business.

"Now don't get me wrong," he adds, "the service manager has a damn tough job. He has the factory to contend with, the dealer, the customers, the technicians. Everything is a problem to him all day long. But a lot of these guys hide behind these problems because they don't want to manage. What you need today is somebody who can handle people and find out what he can do to improve."

"It's ironic," adds Frawley. "In dealership after dealership, at the delivery of a new car, the salesman will take the customer by the hand out to meet the service manager. He says, 'Mr. Smith, I want you to meet Joe, our service manager—he'll take care of all your problems.' But in reality, that is where Mr. Smith will have most of his problems.

"That is the hard part about it," he concludes. "We sit here and know that for peanuts compared to what it would cost him anywhere else, we can make the dealer's service operation work. And we never try to sell him something he doesn't need."

For more information contact: Jack O'Neill, NADA Service Systems, 8400 Westpark Drive, McLean, VA 22102-3591. Telephone: (703) 821-7294. □

## 15 Common Problems of Service Departments

Out of more than 2,700 individual dealership service departments analyzed by NADA Service Systems, only 10 did not have one or more of the following costly problems:

- Net profit dollar leaks ranging from \$1,000 to \$20,000 per month
- Low productivity—under 70 percent, even with the use of non-factory manuals
- High percentage of 1-item repair orders that don't cover the cost of writing the repair order
- Average 1.3 hours billed per repair order. 60 percent of the sale left on the table
- Low gross retention because mechanics are paid for more hours than are billed to the customer

- Warranty receivables overstated and uncollectable
- Dishonest practices
- More employees than required
- Service specials don't accomplish the intended purpose
- Unnecessary early-morning confusion
- Image-damaging quality control problems
- Costly mishandling of comeback and policy work
- Mechanics frequently run out of work
- "Make work" programs
- Unprofitable service department

If these problems look all too familiar to you, it is time to take the first step toward their solution. Write for the special NADA Service Systems Kit, 8400 Westpark Drive, McLean, VA 22102-3591, (703) 821-7294. □

## Spotlight on Service

# A Life-Long Advocate of Service Excellence

by Ted Orme

**G**reg Sutliff's a "wrench." A National Institute of Automotive Service Excellence (NIASE) "Certified General Automobile Mechanic" to be exact—a rare, if not unique, credential among dealers.

His certification plaque is proudly displayed on his office door at Sutliff Chevrolet in Harrisburg, PA. He shares this honor with 34 employees, including his service, parts and used car managers. The service excellence logo is also used extensively in Sutliff's advertising, and one of the company's billboards specifically promotes the NIASE certification of his technicians. (The NIASE Board of Directors recently decided to emphasize the last three words of its name—see "NIASE Becomes ASE" below—so from here on it's ASE.)

It would be safe to say Greg Sutliff is big on service. Not merely because he personally passed each test, or because he was recently named ASE Chairman



**"A good reputation for service means more sales."**

**Greg Sutliff**

of the Board. Sutliff is a life-long advocate of service excellence. He credits that as the basic foundation for the success of his half-century-old dealership. He does not suggest that each dealer needs to train for ASE certification, but he is emphatic on the need for dealers to employ certified service personnel.

"A good reputation for service means more sales," says Sutliff, who was also a former chairman of NADA's Parts and Service Committee, and who now serves on the Finance Committee. "But I think the biggest benefit to the dealer is the sense of professionalism the mechanics have when they are recognized by a credentialed organization as having met certain standards."

Testing service technicians for adequacy of knowledge in their field is ASE's basic goal, one that Sutliff says is sorely needed. "The quality level in the service field has deteriorated because of the increased interest in other technical fields," he says. "The guys who are

## NIASE Becomes ASE

**D**eciding that its acronym "NIASE" was too difficult to remember and sent a weak "signal," the board of directors of the National Institute for Automotive Service Excellence decided recently to emphasize the last three words of its name.

The board agreed unanimously with the advice of an outside consulting firm which pointed out that it is "Automotive Service Excellence" that really grabs the motoring public. But by not changing the institute's name altogether, no sacrifice is made in "the equity we had in our corporate name," ASE President Ron Weiner points out. "We think we have the best of both worlds."

ASE is also developing a new blue-and-white logo, eliminating the orange, which was unpopular with many oil companies using conflicting corporate colors. The graphic gear in the logo will be retained in a stylized version.

The new logo and name change will also contribute to wider visibility of ASE's newly formed National Auto-

tive Technicians Education Foundation (NATEF), which is currently laying the groundwork for certifying the quality of automotive courses offered by educational institutions. The program will identify those schools which have superior automotive training courses and encourage those who don't to improve to be granted ASE recognition.

The primary function of NATEF for the next few years will be to evaluate the curriculum, faculty, equipment and facilities of institutions offering automotive training programs. ASE will use the criteria developed by the Automotive Mechanic Training Evaluation Program (AMTEP) to determine if the schools' automotive programs are worthy of certification. □



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out there today repairing computers would have been repairing cars 25 years ago. There is a national demand for technically competent people, and many young people head for the more prestigious electronics and computer fields."

That does not mean that auto mechanics training has fallen from favor. In his contacts with vocational and technical schools, Sutliff says he's found auto mechanics the third most popular course (behind cosmetology and computer programming). "But in many cases, the students don't get into the fields they've trained for. They learn how to fix the family car and then they get out of school and take a job as a stock clerk in a grocery or shoe store.

"Why? It may be because there is no significant organized recruitment and placement effort by the industry or the

schools," he adds. "So the kids just find jobs wherever they can."

Are the jobs as mechanics really out there?

"I think a technically competent student coming out of a trade school can find a job and rise to the top," Sutliff says. "And if he can eventually pass all the certification tests, he will never be wanting for a job."

Sutliff recruits young people directly from vocational schools. He starts them out as new or used car technicians and quickly moves them to new-car preparation mechanic, then apprentice to a line mechanic, and, finally, full-fledged line mechanic. Along the way, he makes his mechanics attend the manufacturer's technical courses. "And if they have the interest and ability to take the ASE tests," he adds, "that's great. We send them."

Sutliff admits that the ASE tests are no easy task, primarily because technicians are not noted for being great test takers. Some may even harbor an active aversion to tests. Sutliff himself failed to pass all the tests the first time around and was retested on two.

Some years later when he became the chairman of NADA's Service and Parts Committee, he felt obligated to be recertified. He failed one of the eight tests. He recalls his reluctance to be recertified, and expresses sympathy for his employees in the same boat.

But in the case of Sutliff Chevrolet technicians, the prize is worth the quest. ASE-certified technicians get guaranteed weekly pay rates and special holiday and vacation pay, plus a \$50 bonus for every two ASE tests they pass. If the employee wants to go beyond the ASE tests, company policy

## A Good Man Is Hard To Find

*"Good mechanics are exceptionally hard to find in this area. I'm looking for two mechanics myself right now, and other dealers in the area are also having problems finding mechanics."*

*"We've traditionally gone to vocational schools every year, but we're finding that our best bet is to find a high school graduate who is mechanically inclined, who is perhaps already working part-time in a gas station or a job of a similar nature, and work with him. We start him out as a utility or a car jockey and gradually work him up to a mechanic."*

**Richard Wagner**  
**Wagner Inc.**  
**Simsbury, CT**

**T**hat old cliché was never more true than when searching for a qualified, much less ASE-certified, technician. Ask Jack Pohanka of Pohanka Oldsmobile, Honda in Marlow Heights, MD, who, frustrated with attempts to find good mechanics in the Washington, DC, area, advertised for them in recession-ridden Detroit. What he found, much to his surprise, was that qualified technicians are not looking for work. They already have good jobs.

Pohanka's futile efforts sparked the interest of the *Washington Post*, which printed an account of his search. This, in turn, got the media in Detroit interested, and soon Pohanka was off to Motown to do an interview and another plea for qualified technicians for a TV station affiliate of the *Detroit Free Press*. The program was broadcast to stations in Miami, Jacksonville, Cleveland and Boston, as well as the Detroit area, and a WATS telephone hotline was set up to take job inquiries.

"Even though we offered to pay relocation expenses, few qualified mechanics called in," Pohanka recalls. Of the 350 inquiries and 50 interviews that resulted from the TV interviews, "only a small percentage had taken any ASE tests, and not a single fully certified ASE mechanic called."

The obvious conclusion the Pohanka group made was that certified ASE technicians don't need to look for work in good times or bad. But all was not lost. Pohanka, who recently became chairman of ASE's National Automotive Technicians Education Foundation (NATEF), uses the experience to illustrate the tremendous demand for qualified service technicians. And he did finally hire two good men, one from Jacksonville and the other from Milwaukee, which lends itself to another cliché: If at first you don't succeed...

*"It's been so long since I've had to look for a mechanic that I don't know if they're hard to find or not. We get most of our mechanics straight out of vocational high schools and train them ourselves."*

*"I think that most dealers in this county probably don't have trouble finding mechanics. We have an excellent vocational school here. Our mechanics are not highly transient. It's a different kind of atmosphere than you find around some of the metropolitan areas. Once you get a good employee, he usually sticks with you."*

**Alfred P. Shockley**  
**Shockley Volkswagen**  
**Frederick, MD**

provides half of the tuition for any outside educational activity—"from basketweaving to welding to English literature," says Sutliff. He adds, "Several of our people are completing college at night, on us."

It must help Sutliff's technicians struggling with the ASE tests to know that the boss himself suffered similarly, and that he shares a passion for machinery and a compelling need to know how things work. It doesn't hurt to work for a true car buff either, whose personal choice of transportation is a

fire-breathing vintage muscle car, or a new Corvette or Z-28. (Sutliff also sponsors a nationally campaigned funny car dragster, USA 1.)

This love of things mechanical may be a genetic trait. Sutliff's father Leo Sutliff was also a "technical type." He and cousin Ellis Sutliff co-founded the company in 1931, but it was Sutliff's father who ran the parts and service end of the business and gave the dealership a strong emphasis on service right from the beginning. Young Greg, an inveterate tinkerer and car buff, started in the

parts department and worked his way up to management through the service lanes.

Sutliff feels that being more technically oriented than sales oriented has given him a more balanced perspective of the retail automobile business. He's used the knowledge to be innovative. In 1966, for instance, Sutliff Chevrolet was among the first dealerships to install a computer, which Sutliff programmed himself. He has since added two more, which now support 21 CRT (cathode ray tube) screens. The systems perform

## Spotlight on Service

### An Attractive Work Environment

**U**p until about a year ago, the service department of Dave Walter's VW dealership in Akron, OH, looked like a typical, dreary garage. Today, however, after a \$26,000 renovation, the service area has been dramatically transformed into a visually appealing, efficient operation. Sales generated by service and parts have surged to an unprecedented level, and new-car sales also have been stimulated.

Walter recalls that it was a little over a year ago when F. Eugene Smith, a regular client, suggested sprucing up the service department. Smith, an industrial designer, pointed out that although the showroom was appealing and attractive, the service area—which most customers are repeatedly exposed to—was drab, forbidding and totally neglected.

"Turn the service department into a showroom," Smith recommended. Walter quickly concurred, and the project began.

After the interior was thoroughly cleaned and repainted, the innovative solutions proposed by Smith began to materialize. Warm colors were introduced: red, yellow and orange laminated dividers were placed between each work station and large masonite panels were suspended from the ceiling. These panels help absorb some of the noise that is inevitably produced and also contribute to the visual interest

of the design. While the placement of the panels may seem random, they are actually intentionally spaced so that cars on lifts can be raised unimpeded.

Another key element in the new design is the Hunter Douglas screen ceiling. This system of vertically suspended aluminum panels creates a dynamic visual impact. Its installation over exist-

#### **"The physical change in the service department also resulted in attitude changes among personnel."**

ing ventilation, lighting, oil lines and bar joists eliminated the need for major demolition or construction. More importantly, the screen ceiling was selected so that these vital components could be kept intact—attractively concealed yet conveniently accessible.

The effort to create an appealing, cheerful atmosphere where the dirty, noisy business of servicing cars could still take place included combining the parts and service departments to make it the focal point of the dealership. This consolidation took shape within a corner space of the garage near the showroom entrance. A brightly lit show-

case and counter display for accessories and parts was also created.

Smith spent hours interviewing the mechanics and observing how they work to determine which tools are used frequently and need to be within reach. He incorporated these factors into the reorganization and design of each mechanic's work station. Three-by-eight-foot dividers coated in bright laminates define each area. Custom cabinetry and pegboards for the orderly storage and display of tools have also been installed. As a personal touch, the name of each mechanic was placed above his work area to identify his "office."

The immediate result of this streamlining has been more efficient operations, with an increase in productivity and quality of work.

"We were showing a 35 percent increase in parts and service receipts within two months after the renovation," Walter reports. "In fact, we're now doing about \$60,000 to \$70,000 a month in sales in parts and service. This is unusually high for a dealership our size."

Walter established his dealership 26 years ago. It handles VWs, BMWs and Peugeots. Volume last year was about 500 cars.

The physical change in the service department has also resulted in attitude changes among personnel.

data processing for all dealership departments, including service. In addition to greatly improved efficiency, Sutliff says of his computers, "I've had a hell of a lot of fun."

Sutliff also pioneered the use of free, 5-year, 50,000-mile warranties on new cars. He got the idea 12 years ago when he took a close look at why the manufacturer's 5/50 warranty programs of the '60s had failed. "It was because they covered the muscle cars, which the kids were shelling the teeth off the gears as fast as you could put them out the door;

neglect—the guy wouldn't change his oil; and odometer fraud, where the customer or dealer rolled odometers back."

He believed he could control all that by not covering muscle cars, and requiring customers to bring their cars in at 6-month intervals for service and to check their odometers. The plan worked spectacularly. According to Sutliff, "The failure rate is modest to negligible," and the cost of the program is far offset by the additional new-car sales and service work it generates. "It's a free lunch," he chuckles.

That is not entirely true, of course, considering the sizable commitment in time and money Sutliff makes in his service department. His commitment to service excellence not only makes such programs as free warranties possible, but gives Greg Sutliff confidence that he can remain successful in the future. He believes service cannot play second fiddle to sales. "It's vitally important for technicians to remain current with rapidly changing technology," he says. And he sees ASE as the best means to that end. □

"Since the remodeling, our mechanics and other staff seem to have a sense of pride in what they do," says Walter. "The new environment has definitely had a positive effect on their attitudes. Also," he continues, "we're a union shop. Prior to the remodeling, the union rep would be in to see me almost monthly with one complaint or another. It's been a year since the renovation and that long since the rep has been here."

Another facet of the redesign was a special display area for a single, new car. Strategically located within the entrance of the garage and carefully spotlighted, the display is designed to attract the impulse buyer and to act as a subtle suggestion to customers who have brought their older cars in for service. Walter reports that this display has been directly responsible for many new-car sales, including four after the first few weeks it appeared. The same spot is also used as the pick-up point for a customer's new car.

"With his new car in that display, with the 'Sold' sign on it and the lights playing off it, the buyer is impressed and excited," Walter says. "The interest and curiosity of other customers is also heightened."

Walter has noticed that other dealers in the Akron area have begun renovations of their own. He, of course, is now a strong advocate of creating an attractive selling and working environment.

According to Walter, "Most dealers spend at least \$50,000 a year on advertising. If they would take a portion of that and allocate it for upgrading their service departments, like we did, the resulting increase in sales and productivity would more than pay for the improvements." □



Before the renovation, work stations were cluttered, with tools and equipment scattered about.

Afterward, the once dark and somber setting resulted in an atmosphere that is conducive to increased work productivity and customer sales.



# NADART:

## The New,

## Improved Model

by Ben Pope

**D**o you think you could sell a product that is guaranteed to increase in value every year, that has a lower maintenance cost than any other, and that will be brought up to date automatically no matter what new regulations the government comes up with?

There is such a product, and it's sold by NADART—The National Automobile Dealers Association Retirement Trust. It comes in several models with such classy nameplates as Pension Plan, Profit Sharing, GIA, IRA and RAI. And the thing that makes them all so appealing is that they are built of money.

Money always has been a rather popular item, but never more so, it seems, than in recent years. People seem to spend more time talking about money than working for it. At the same time, a lot of small investors recently have discovered that their money can be working for them. We've become a nation of amateur money experts who can discuss money market certificates,

mutual funds, Keoghs, T-bills, interest-bearing checking accounts and maybe even stocks and bonds. Despite the new interest in interest, most of us don't know when to do what.

Sorting out the complexities of financial planning to provide better money management for auto dealers and their employees now and for the future is the business of NADART, and business is bullish.

**R**eturns on investments are in double digits and indications are that they can maintain that level for the foreseeable future. Dealers are signing up for plans at a rate that could make this the best growth year in NADART history.

Some of this growth certainly can be credited to improved business among dealers, but it also reflects the improvement in the product.

It is a product that is very visible to the buyer. Every six months the approximately 75,000 participants receive a report on how their money is doing. These "new money experts" are quick to compare the fund's results with figures on the business page of their newspapers and in the ads of the local savings and loan. If the comparison isn't favorable, those who direct the fund hear about it. There have been few irate calls recently.

**F**rank E. McCarthy, executive vice-president of NADA and plan administrator for NADART since 1968, recalls this has not always been the case.

"No one was satisfied with the performance five or six years ago—including the board of trustees and myself—but we came to grips with the problem and believe we have it solved. We rearranged our objectives, and basically said we would not become too involved in investments subject to high market risk. It was very unsettling for participants to see returns on such things as stocks and bonds fluctuate so greatly," McCarthy says.

McCarthy gives much of the credit for the turnaround to Kenneth C. Kent, chairman of the board of trustees. The Evansville, IN, dealer has served on the board for nearly 20 years and has headed it during the shift to the more conservative approach.

How do you go about improving your return on investment?

"**I** guess we just smartened up," Kent says. "We put all the funds from the different plans into a single fund and put most of the money into guaranteed insurance contracts (GICs) that we could get out of in four or five years. In the past we had gotten locked in on some contracts with bad results.

"We also move faster now. The big problem in years past, in my opinion, was that we sat on stocks too long. We put in a rule to our five investment advisers that if a stock went down 12 percent they had to sell or write us an explanation of why they were holding on. They didn't sell losers any faster, but we got a lot of letters. That has all changed. We have fewer—and different—advisors now."

Kent explains how the system works today. Within the board of trustees there is an investment committee chaired by Sam H. White of Houston. Working with Kent, McCarthy and Harry G. Brooks, NADART executive director responsible for investments, White calls for meetings as needed, often by conference call, to discuss developments which

could affect the fund. Most of these developments have been anticipated and the trustees have approved action.

"But if something really hot comes up, we are empowered to move on it and get approval later," Kent says. "It's a fast track out there these days."

Other members of NADART's board of trustees are vice chairman Warren J. McEleney, Clinton, IA; Jerry Bielfield, Detroit; Henry A. Billion, Sioux Falls, SD; James P. Jennings, Glenview, IL; William C. Doenges, Bartlesville, OK; Richard R. Smith, Raytown, MO; and Charles J. Whittey, Bismarck, ND, who heads the board's marketing committee.

**N**ow in its 26th year, NADART manages more than half a billion dollars in defined-contribution pension plans, profit-sharing plans, and a voluntary savings program called the Guaranteed Income Account (GIA), in addition to Individual Retirement Accounts (IRA) and a Retirement Accumulation Insurance (RAI) program.

The growth of the fund has been remarkable, particularly in recent years as more people have become frighteningly aware that retirement can be pretty grim unless individuals, and their employers, build up some funds that will grow at least as fast as inflation.

From its start in 1957, NADART assets reached the first million dollars in 1961. In 5-year readings, it increased to \$9 million, then \$58 million, \$162 million, and shot up to \$429 million in 1980. The current fund exceeds \$550 million.

The growth, of course, is a combination of more participants—4,000 dealers with about 75,000 employees at latest count—and increased return on investment. Reflecting the trends in the industry, 125 new plans have been established by dealers since the first of the year, as well as 15,000 new enrollees. In 1982 there were 112 new participating companies, and during one dreary month in the first quarter of the year, only three dealers signed up.

The defined-contribution pension plan accounts for the bulk of the fund and a majority of the participants. When a plan is established, the dealer determines the contributions he and his employees will make each quarter, usually on a matching basis of 2 or 3 percent of compensation. The payout on retirement or termination is determined by the account value and the vesting level

at time of payment.

**S**ince employees are retiring or changing employment all the time, a defined-contribution plan seeks an even keel so no one catches the fund on a down cycle.

"We are like a broadly diversified mutual fund," Brooks explains, "but with the very important objective of preserving capital at all times, and yet achieving a long-term rate of return which, at minimum, will match inflation and hopefully exceed it by a meaningful amount."

As mentioned earlier, the fund's investments have a definite conservative look today.

"With 50 percent of our funds in GICs, we have a good base of earning power with no market risk," Brooks says. "On top of that we have about 15 percent in real estate, 15 percent in common stocks, about 7 percent in bonds and the rest in money market investments.

"We vary the mix on an ongoing basis, but the changes from this point on will probably not be major," Brooks adds.

**A**lthough some funds will outperform The NADART Fund during periods of a booming stock market, the fund is showing some healthy numbers. For the 12 months ending March 31, the fund returned 15.37 percent. The Guaranteed Income Account, a voluntary savings program, is paying 12 percent tax-deferred interest. The NADART IRA plan operates the same as other such plans available from many financial institutions, and is funded by a money market fund.

NADART also offers a decreasing term life insurance program, called RAI, to protect the beneficiaries of NADART participants, which completes a package not usually available to small businesses.

Although return on investment is the main attraction in any money game, the administration of plans and the tracking of new IRS regulations are important considerations for those in small business.

This was the main factor convincing Walter A. Carter, president, Carter Chevrolet, Manchester, CT, to switch over to a NADART plan.

"We were using an insurance company, but we changed when Congress passed the pension law (Employment Retirement Income Security Act of

1974). Our insurance company seemed baffled by the new law, so we looked into NADART. They advised me on what it meant, and we got in," Carter says.

**I**wish I'd gone with NADART from the beginning because my people would be getting better pensions. NADART does all the work, and the return is excellent."

The IRS has added a new element to the old phrase about the inevitability of death and taxation. It also seems inevitable that each year will see changes in the tax laws.

"Since 1974 we have been in a state of constant flux due to regulatory changes," says Philip E. Holland, NADART executive director for accounting and administration. "There haven't been two years in a row with the same format on the forms. We have had to reprogram our computers every single year," he says. "This year they are already talking about changes to rules they passed in 1982.

"One of our fears is that it becomes so complex that it frightens dealers away from establishing plans. We like to think we take most of that burden off the shoulders of the dealer. And I think we do," Holland says.

And here comes the close. For the biannual reports to all participants, information on regulations, many other services and that ever-important return on investment, a dealer is charged \$200 annually plus \$7 for each participant.

"We provide service at as near to cost as possible," Holland says. "A prudent man would consider us."

**N**ot to be overlooked in a discussion of pensions, profit-sharing, savings and insurance programs are the benefits in employee satisfaction and incentive. Fringe benefits attract and keep the best employees. It goes without saying that a pension or profit-sharing plan—about 4,000 dealers are in the NADART programs—give an employee a personal interest in the success of the company.

That's the line of models NADART offers, the warranties, maintenance and price. If you can find a better deal . . . I've got a few bucks, and . . .

*Editor's Note: Ben Pope operates a public relations firm in Richmond, VA, serving clients in a number of fields. Most of his corporate PR career has been spent with companies having strong ties to the automotive industry.*

# *The New Audi 5000S: Blending Aerodynamics With Luxury*

by Ted Orme

**A**udi intends to be recognized as a dominant technological force in today's global automotive industry," Peter Fischer, vice-president of Porsche Audi Division of Volkswagen of America Inc. boldly announced to the press corps at the recent preview of the new Audi 5000S. And with the introduction of this car, he added, "We have taken liberties with the calendar and moved the turn of the century up by a couple of decades."

Indeed, in designing the most aerodynamic sedan in the world—boasting a drag coefficient of 0.33—the dramatically styled, 5-passenger 5000S takes on a decidedly futuristic look. Everything about its sleek contours sounds a silent "whoosh."

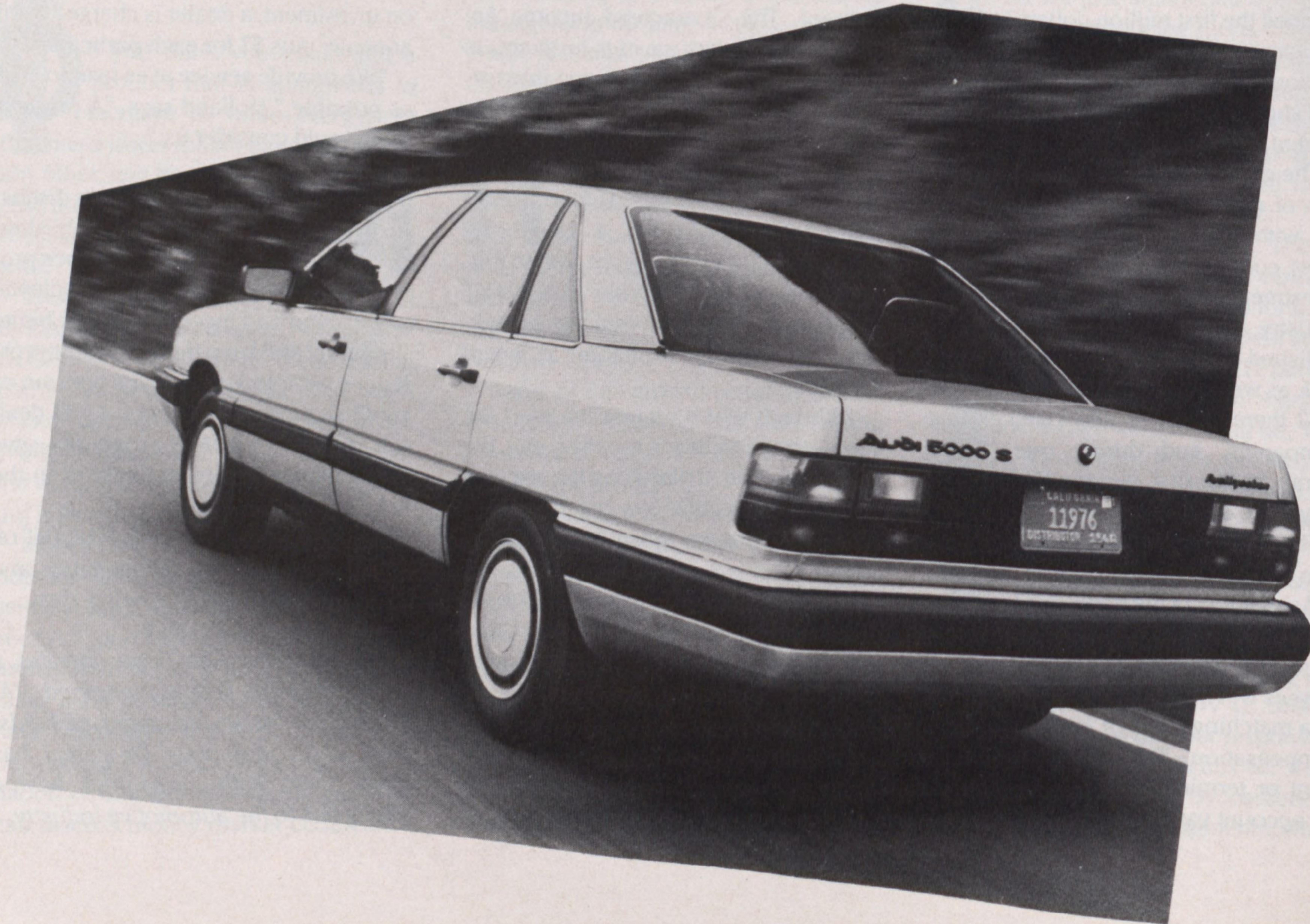
Flush windowglass all around is a first for the industry. The steeply raked windshield and rear window are bonded in place, adding to the strength of the body while eliminating the usual recess which creates air turbulence, wind noise, and interferes with water runoff. Instead of rain gutters, there are two shallow grooves in the roof. There are extra sealing strips under the doors to prevent air turbulence, and there is no gap between the polyurethane bumpers and the body. The underbody is nearly smooth, and contoured rubber boots direct airflow around the outside mirrors. Finally, there are no wheel arch flares to disrupt the air flow.

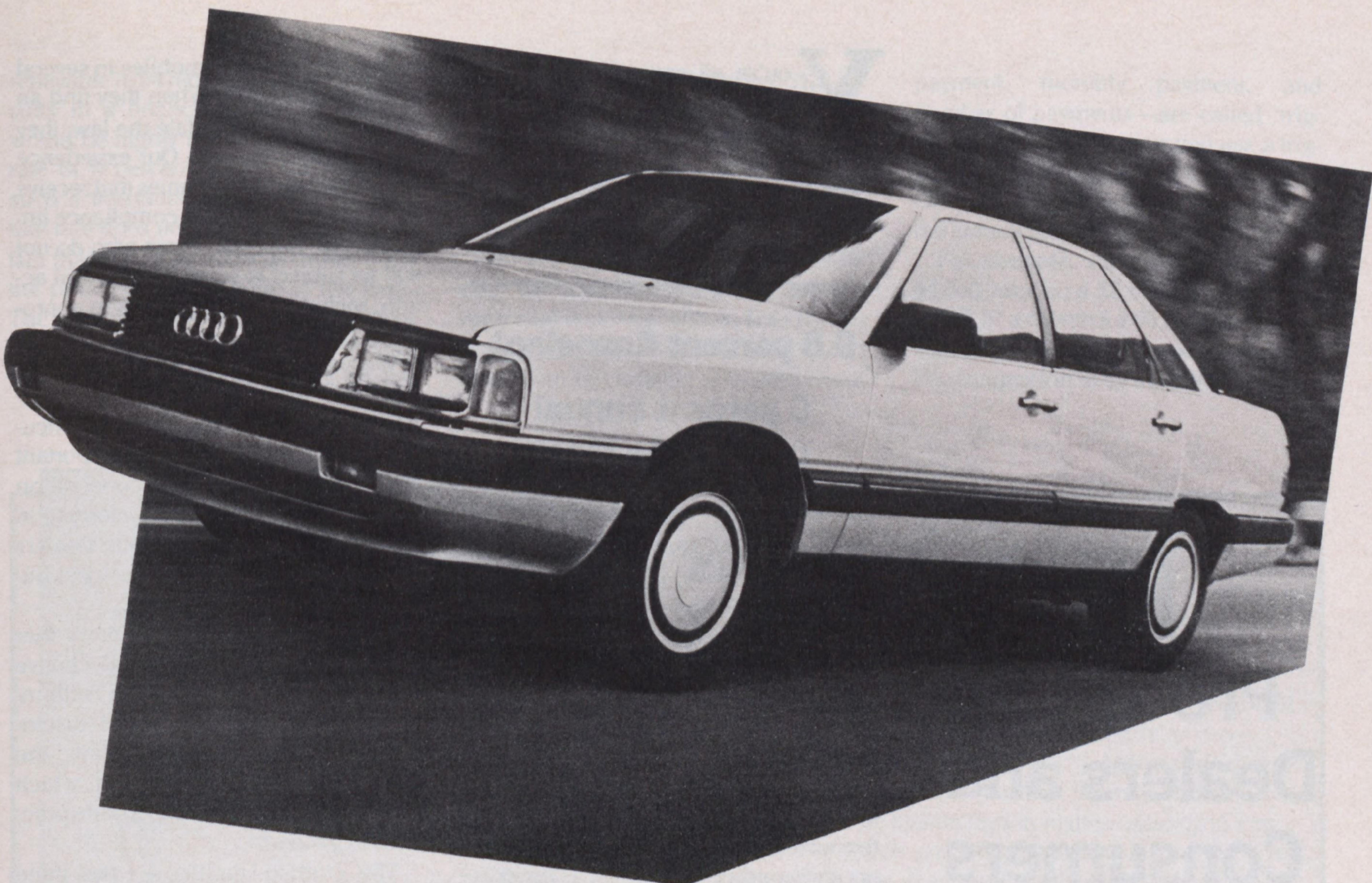
But, Fischer points out, "when the company adds innovation in aero-

dynamics to its long list of credentials, it isn't the start of some new and radical path. For Audi, it's a matter of following a tradition that was set many years ago.

"This practice of moving ahead with new ideas," he continued, "of being at the forefront of our industry with innovative technology, is of critical importance to us because we are, after all, a product-intensive franchise. We build drivers' cars, vehicles that first and foremost are performance-oriented."

To this end, Audi has improved the zero to 50 mph acceleration of the new 5000S to 8.0 seconds, nearly a second faster than the 1983 model. Since the weight of the new 5000 remains nearly the same, the quicker performance can be attributed to improved aero-





dynamics and refinements in engine electronics for Audi's overhead-cam, 5-cylinder powerplant. For those buyers who want to go faster, an '84 turbocharged 5000 is expected this fall.

Brakes and power steering are improved with a new central hydraulic system—first introduced on the Audi Quattro—which controls both with much less engine power. New shock absorber and spring rates and improvements to its torsion-crank rear suspension also help limit suspension side movement and body sway during hard cornering. The overall effect is a luxury sedan meant to be driven like a sports car.

"But a driver's car must offer more than performance," Fischer said. "Since a driver's car is intended for long-distance traveling as well as short trips, the vehicle must offer high levels of comfort. For this reason, we have provided additional legroom, kneeroom and headroom. We widened the door openings, lowered the stepover height, we improved the seating position and lateral seat support while making the center cushions softer."

"Since good visibility is critical in a driver's car, there is 30 percent more glass area in the new Audi. And just as it's necessary to see outside, it's essen-

tial to clearly see the instrument panel at night. Military tests have shown that night vision is about 15 times more efficient when instruments are lighted in dark red rather than green. So we have dark red lighting in the new 5000.

"A true driver's car must also be a good investment. Something the owner can treasure for years to come. So the corrosion protection for the new 5000 will be the best in Audi history. Moreover, as a demonstration of our confidence in our quality commitment, we are offering a 24-month unlimited mileage warranty on all 1984 Audis."

Fischer also pointed out that the new 5000 was one of the first European cars designed specifically for the American market. "We know that if this car can be a success in the highly competitive American market, it can be a success most anywhere. In fact, we expect to retail 50 percent more Audi 5000 gasoline cars for the 1984 model year than for the 1983 model year, and we think the suggested retail price of \$15,800 will prove to be very attractive."

For this price, the standard equipment includes cruise control, power windows, central door locking, a new electronic climate control system and a safety check system which monitors 12

functions such as brakes, lights and fluid levels. There are also some unusual standard features such as an outlet for personal headphones (which shuts off the rear speakers when connected), anti-theft door-lock plungers, and folding passenger-assist handles which incorporate reading lights and coat hooks.

Options consist of a stereo cassette radio, electronically controlled and heated outside mirrors, power sunroof, heated front seats, metallic paint, and—new this year—power seats programmed to return to a pre-set position. A choice of leather or a new perforated leatherette is also available as an option to the standard patterned fabric seats.

Fischer concluded by pointing out that the auto market, as well as consumer perceptions and expectations, has undergone massive changes and puts stiff demands on auto makers. "So we will not be able to sit back and relax now that we have our new 5000S headed for the showrooms," he said. "We have a lot more to come in the future, and I can assure you that all the new Audi products will continue the tradition of technological innovation that has been demonstrated in the Quattro and the new 5000S."

# FTC: Protecting Dealers and Consumers from Advertising Deception

by James C. Miller III  
Chairman, Federal Trade Commission

You've all seen ads promoting very attractive auto financing rates. Maybe you've run them for your dealership.

For the most part, credit advertisements we've seen are correct. Credit for new automobiles is available at the low-

**9.8 percent financing!**

**0 percent annual  
percentage rate!**

est rates in years. That has made credit a major competitive factor in new-car sales. We at the Federal Trade Commission are pleased to see any activity that increases competition and provides more truthful information so consumers can make better-informed purchase decisions.

One of the commission's responsibilities, however, is to make sure deceptive advertising doesn't injure consumers and honest competitors. As the cost of new cars has increased and inexpensive credit has become a major selling point, some advertisers have begun to make claims that are just not valid.

For example, is a claimed rate of 6.9 percent on an automobile the true annual percentage rate, or is it an "add-on" or "discount" rate that does not reflect the true cost of credit? Does the rate apply to new cars or only to last year's models? Are low monthly payments available only if the consumer makes a 50-percent down payment?

Customers have only a limited amount of time to shop for a car. If a consumer responds to a deceptive credit ad, at the very least he or she loses the time spent visiting the dealership, only to discover that the deal is not as good as advertised. Worse, yet, the consumer may end up purchasing the car from a competitor even though your dealership actually offered better terms, but advertised the true cost of credit as the law requires. Ultimately, if there are too many deceptive ads in the market, consumers become cynical and stop paying attention to all of them.

In March, the FTC's Bureau of Consumer Protection began a major investigation of deceptive advertising of credit terms in automobile sales. As part of this project, the commission's staff is surveying television and newspaper ad-

vertisements for automobiles in several metropolitan areas. When they find an ad that appears to violate the law, they contact the advertiser. Our experience shows that most companies that receive such a letter come into compliance immediately. However, those who do not will be subject to more formal legal action, including civil penalties in appropriate cases.

We are pleased with the progress that has been made in reducing the incidence of unlawful ads. We are particularly pleased to note that an important factor in getting industry cooperation has been the sharing of information with the National Automobile Dealers Association and the Better Business Bureaus.

The FTC administers two laws that protect the public against deceptive credit advertising. One, the Truth-in-Lending Act, regulates credit disclosures. The other is our basic law, the Federal Trade Commission Act, which prohibits unfair or deceptive trade practices in general.

The Truth-in-Lending Act has three requirements designed to promote accurate credit advertising:

1) **Any advertisement for consumer credit must advertise terms that are actually available.** This does not mean that the advertisement must show every possible credit deal that might be offered, but the creditor must be prepared to offer whatever is advertised. This provision is not intended to bar the promotion of new credit programs, only the advertising of credit terms that are not and will never be available. A creditor may, however, advertise terms that will be offered only for a limited period, or terms that will be available at a future, specified date.

2) **If the simple interest rate is advertised, the advertisement must also state the "annual percentage rate" and the advertiser must spell out those words in the ad.** The annual percentage rate reflects the true cost of credit. It is permissible to advertise solely the annual percentage rate.

Some automobile advertisers have used "add-on" or "discount" rates that dramatically underestimate the annual percentage rate cost of credit. Those terms may not be advertised. In an add-on, the finance charge is based on a rate applied to the full loan amount at the beginning of the term. For example, a 6-percent add-on for a car loan of \$4,000

repayable in 24 monthly installments results in a finance charge of \$480. It would be highly misleading to quote a rate of 6 percent to the consumer in such a transaction, however, because that rate does not take into account the fact that the consumer has to pay back the principal over the life of the loan. The consumer does not have the use of the entire \$4,000 during the loan term—in fact, he or she begins paying it back

with the first monthly payment. The annual percentage rate in this hypothetical transaction is, in fact 11.13 percent—that is the true cost of credit to the consumer, almost twice the 6 percent “add-on” figure.

3) **Advertisers may not show only the most favorable terms of a loan and leave out other, less favorable terms.** The major terms of a loan other than the interest rate—the down

payment, monthly payment, and number of payments—are called “triggering terms.” Whenever you use a triggering term in an ad, you must also include the other major terms, as well as the annual percentage rate.

For example, suppose you offered a \$4,000 loan on a \$8,000 car, repayable at \$93.07 a month for 60 months with an annual percentage rate of 14 percent. The temptation is to advertise only the



James C. Miller III assumed the chairmanship of the Federal Trade Commission on October 5, 1981. President Reagan appointed him to a 7-year term as a member of the commission on July 16, 1981 and designated him as chairman. Miller also serves as a member of the Council of the Administrative Conference of the United States.

From January 21, 1981, to October 1981, Miller was administrator for information and regulatory affairs at the Office of Management and Budget. He also served as executive director of the Presidential Task Force on Regulatory Relief, chaired by Vice-President George Bush.

After completing requirements for a doctorate in 1969, Miller taught for a year at Georgia State University in Atlanta.

From 1969 to 1972, he was a senior staff economist at the U.S. Department of Transportation (DOT). During 1972, he served as a research associate at the Brookings Institution and at the American Enterprise Institute for Public Policy Research (AEI). From September 1972 until June 1974, Miller was an associate professor of economics at Texas A&M

## About the Chairman

University; while at Texas A&M, he served as a consultant to DOT and the National Bureau of Standards.

From July 1974 until October 1975, Miller served as a senior staff economist with the U.S. Council of Economic Advisers, where he specialized in matters relating to transportation, regulation and antitrust policy. During 1975, he became an AEI adjunct scholar. In October 1975, Miller was appointed the U.S. Council on Wage and Price Stability's assistant director for Government Operations and Research, with responsibility for the agency's public-sector monitoring functions; there he also served as a member of President Ford's Domestic Council Regulatory Review Group, which directed the administration's program in regulatory reform.

Miller was a resident scholar and co-director of AEI's Center for the Study of Government Regulation from January 1977 until January 1981. He has served as a member of the Board of Editors of AEI's journal, *Regulation*, and on the Board of Editorial Advisers of *The AEI Economist*.

Miller was born in Atlanta and raised in Conyers, GA. He received a bachelor's degree in economics from the University of Georgia in 1964 and a Ph.D. degree in economics from the University of Virginia in 1969.

Miller is a member of the Southern Economic Association and served on its Executive Committee during 1979-81. He is also a member of the American Association for the Advancement of Science, the American Economic Association, the Public Choice Society and the Western Economic Association.

Miller is the author of a number of professional articles and has co-authored or edited five books: “Why the Draft: The Case for a Volunteer Army” (Penguin, 1968); “Economic Regulation of Domestic Air Transport: Theory and Policy” (Brookings, 1974); “Perspectives on Federal Transportation Policy” (American Enterprise Institute, 1975); “Benefit-Cost Analyses of Social Regulation” (American Enterprise Institute, 1979) and “Reforming Regulation” (American Enterprise Institute, 1980).

Miller is married and resides with his wife and three children in Washington, DC. □

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**"We are pleased with the progress that has been made in reducing the incidence of unlawful ads. We are particularly pleased to note that an important factor in getting industry cooperation has been the sharing of information with NADA..."**

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monthly payment, which sounds very attractive. Because the monthly payment is a triggering term, however, the Truth-in-Lending Act requires that you also tell the consumer of the down payment for this purchase, the term of the loan and the annual percentage rate. In this advertisement, the additional information will alert the consumer that there is a large down payment, and that payments are required for a longer than usual loan term.

There are several other aspects of the Truth-in-Lending Act requirements that advertisers often misunderstand. Many of the credit arrangements being offered are "buydowns," in which the car dealer subsidizes the monthly payments. Some advertisements for such arrangements claim especially attractive annual percentage rates. You may claim such a low rate only if the consumer's legal obligation, as reflected in the installment contract or loan note, is actually reduced as result of the buydown.

Suppose in the example of a \$4,000 loan for 48 months at an annual percentage rate of 14 percent, the dealer paid the creditor (a bank) to reduce the consumer's obligation on the loan, and this buydown resulted in payments lowered by \$14.50 per month. The dealer could advertise the lower payments and the resulting lower annual percentage rate of 6.5 percent as stated in the contract, and on the bank's disclosure statement.

On the other hand, if the dealer simply paid the \$700 as a rebate to the consumer, it could not advertise a lower annual percentage rate because the consumer's legal obligation on the loan would not be affected.

The dealer may also be tempted to offer the consumer a cash discount or the *choice* between low credit terms or a discount for cash payment. If the dealer is the initial creditor on purchase money loans, and then assigns the note to a third party, a cash discount offered the consumer is considered part of the finance charge or cost of credit because the dealer, as the creditor, is requiring the consumer to forego the discount as part of the price of receiving the credit. The result is a higher annual percentage rate. This is true even if the dealer does not offer a formal cash discount, but refuses to bargain on the list price for credit customers while the dealer typically offers discounts or other concessions for cash customers.

On the other hand, if a third party is the original creditor, the Truth-in-Lend-

ing looks only at the legal relationship between the third party and the consumer. A discount for cash that the dealership offers in that situation is not considered part of the finance charge.

Finally, we are beginning to see variable rates being offered on automobile loans, often at a discount from market rates. You may advertise such rates just as you advertise fixed interest rates, except that the ad must show that the rate is subject to increase. Before leaving the Truth-in-Lending area, it is worth noting that with regard to television advertising of credit terms, recently the commission provisionally accepted two consent agreements (Chicago Metropolitan Pontiac Dealers Association Inc.) and its advertising agency (The Competitive Edge Inc.). These decisions reflect the position that Truth-in-Lending disclosures need not be made in any particular order or format as long as they are made "clearly and conspicuously." In addition, the required terms need be displayed for a minimum of five seconds as compared to 10 seconds under a prior order.

As I mentioned, the Federal Trade Commission Act also applies to automobile credit advertising. The Bureau of Consumer Protection's project, in fact, is aimed at deceptive sales practices in general, not only those that involve credit. For example, reduced terms might be available on a few cars and thus might meet the Truth-in-Lending Act's requirement that advertisements reflect actually available terms. There is, however, an obvious problem if the dealer promotes low rates in advertising and then pressures customers at the point of sale to waive the special rate. Such a practice would be considered deceptive under the Federal Trade Commission Act although it may not violate the Truth-in-Lending Act.

The recent competition to offer the best credit terms for automobiles is a healthy development. My only concern is that consumers are presented with correct credit terms in the advertisements they see. The FTC staff stands ready to assist you in complying with the law and in spreading the word about the good credit deals many car dealerships are offering.

For a free step-by-step guide to advertising credit terms, write: How To Advertise Consumer Credit, Public Reference Branch, Federal Trade Commission, Washington, DC 20580. □

# Nissan Begins Production At New Tennessee Plant



**W**e're out to produce the highest quality truck sold in North America," says Marvin Runyon, president and chief executive officer of Nissan Motor Manufacturing Corp. U.S.A. "Today's milestone is an important step in achieving that goal."

More than 1,300 employees of Nissan's new manufacturing arm celebrated June 16 as Runyon drove the company's first U.S.-produced truck off the line in "Job I" ceremonies at the new facility in Smyrna, TN (pictured).

The completion of Job I, an '83½ model light pickup with white exterior and blue interior, signaled the beginning of production for the operation, Nissan's first U.S. manufacturing venture. The plant will produce about six trucks per day for the first few months, increasing to 7,500 trucks per month by November. By mid-1984, Runyon says, the subsidiary will be producing up to 10,000 vehicles monthly with a work force of 2,000. At capacity, the Smyrna plant will produce 156,000 light trucks annually.

In remarks prior to the off-line drive of the first truck, Runyon and the three plant managers thanked Nissan employees for the successful start-up, which came almost two months ahead

of schedule. "We achieved this because of the tremendous cooperation and quality of work," Runyon says.

Runyon says the Job I truck will be placed on permanent loan to the Tennessee State Museum in Nashville after Nissan's grand opening and dedication activities in October. The truck will become part of the museum's "Made in Tennessee" collection.

In October, trucks for retail sale will begin to hit dealer showrooms. A few models already have been sent back to Japan for testing, and according to Runyon, the plant's Japanese partners "may have to upgrade the quality of their products to keep up with us."

## The American Plan

Nissan announced its decision to manufacture in the U.S. just three years ago, in April 1980. By February 1981, ground was broken on the 782-acre site, located about 15 miles southeast of Nashville. The 3.2-million-square-foot facility contains stamping, body assembly, paint and final assembly operation, as well as administrative offices, service buildings and a training center. It also has a testing facility and a storage area for finished vehicles.

Capital expenditures and operation costs associated with production start-

up total more than \$660 million, making the investment Nissan's largest outside of Japan, and the largest to date by a Japanese company in the U.S. "Before we turn a profit," Runyon says, "Nissan will have \$1 billion invested here. They are giving us the opportunity to prove that Americans, given the resources and freedom, can compete in the international marketplace."

## Computer-Ease

The Smyrna plant is one the most technologically advanced automotive facilities in the world. State-of-the-art computer and communications systems include 55 arc-welding robots used for frame production, 128 robots for body assembly and 36 paint-finishing robots. Ten miles of overhead conveyors and eight miles of floor conveyors keep everything moving with precision.

In the stamping area, blanking presses unroll coil steel, cutting it into flat sheets to ready it for the stamping presses. The plant stamps its own body parts, including fenders, doors and hoods. Changes in the stamping tools, or dies, are handled by a radio-controlled overhead crane, capable of lifting 30 tons.

The frame line consists of three areas. Once side rails and frame pieces are delivered, the parts of the frame are



Nissan technician inspects a new door.

tack-welded on a circular frame line that allows technicians to move along with each frame unit. Welding robots move the frame through a series of welds before the final welds are made by hand in a third area. The frame then moves to the paint plant by overhead conveyor.

The cab and box, or rear body, are built on a series of lines that weld and assemble the stamped parts. Welding robots are found in all phases of cab and box buildup. Doors, fenders and hoods are added before the truck moves into inspection and repair. Final inspection technicians make sure the cab and box have the best finish possible before they allow the two to be lifted by overhead conveyor to the paint plant.

#### Paint Plant Plaudits

Nissan's paint plant, says Emil Hassan, its manager, "is second to none in its

level of automation and technology. The finish it produces will be better than what we see on many luxury cars in this country."

The paint operation is housed in a 12-acre building encompassing 512,000 square feet. In the spray booths, paint is applied by 36 robots and eight sets of automatic electrostatic spray machines. When a unit enters the paint plant, it takes about 14 hours to travel through all the processes, including pretreatment and electrodeposition phases, sealer and deadener applications, primer spraying and topcoat color spraying.

The phosphate process—preparing the metal surface to receive the paint—involves dipping the units four times. "This allows the phosphate to reach areas that spray might miss," Hassan says, "and improves corrosion protection."

#### Final Buildup

In the trim and chassis plant, the build process begins when a computer selects a painted cab, box and frame from storage lines. Simultaneously, other machinery transmits information to the floor so that assembly parts correspond to the build requirements.

The truck is assembled into its final form on the chassis line. In a subassembly area, axles and the suspension system are added to the frame, while in another area, the transmission, alternator and starter are added to the engines built in Japan. The engine then is installed into the frame, and the box and cab are "married" to the completed frame. The seats, front bumper and

steering wheel are installed on the final line.

Pre-delivery technicians check each truck for quality and functional performance. Each truck is put through a roller test that simulates road conditions to check gears, emissions and noise levels. Brakes are also checked, and then the truck is water-tested under a high-pressure spray for five minutes.

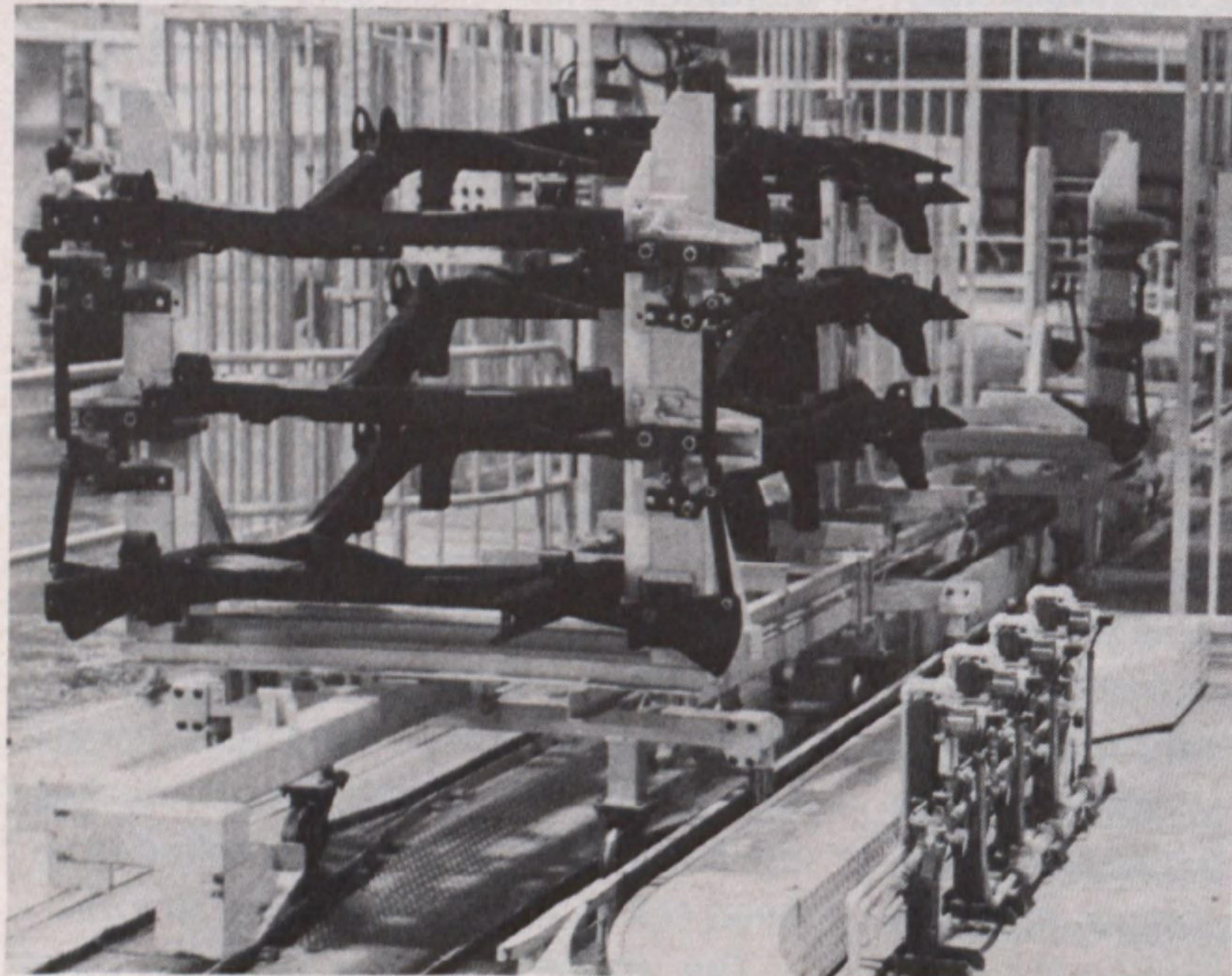
Nissan's home-grown trucks, Runyon says, have about 41-percent domestic content. And even though the trucks won't be subject to the usual 25-percent tariff, "pricing will be approximately the same, because of the high cost of labor and materials," Runyon says.

Like its parent company, the Smyrna plant employs just-in-time inventory delivery where possible. Several suppliers have already relocated near the Nissan plant, including Hoover Universal Inc. (seats) and Calsonic Manufacturing Corp. (heaters and air-conditioning components).

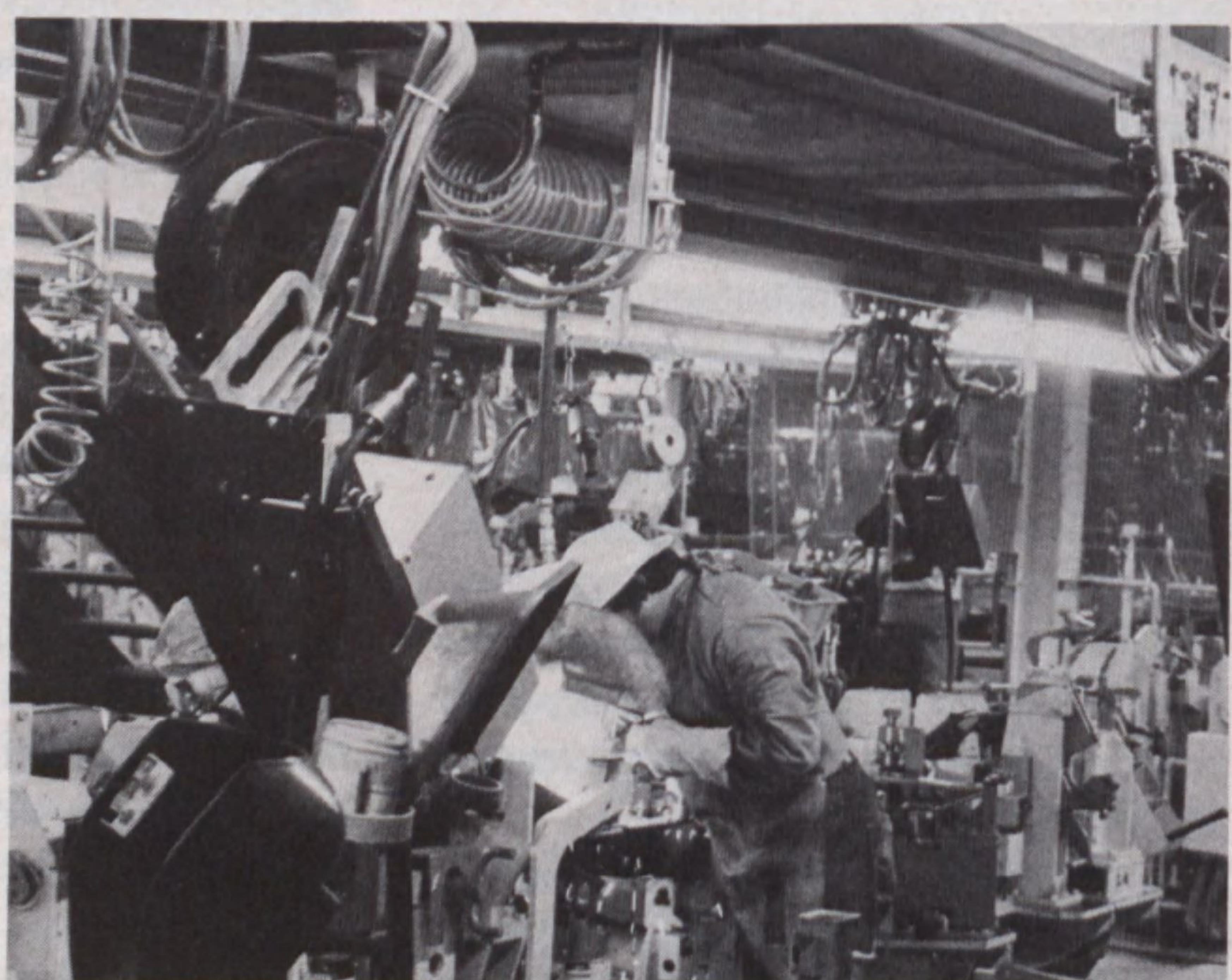
#### Redesigned '83s

Trucks being produced at Smyrna are redesigned versions of Nissan's '83 models. The company began production with 2-wheel-drive vehicles, and will introduce other models to support demand. U.S.-produced, 4-wheel-drive vehicles will be introduced in October. In January 1984, heavy-duty and California vehicles will be launched.

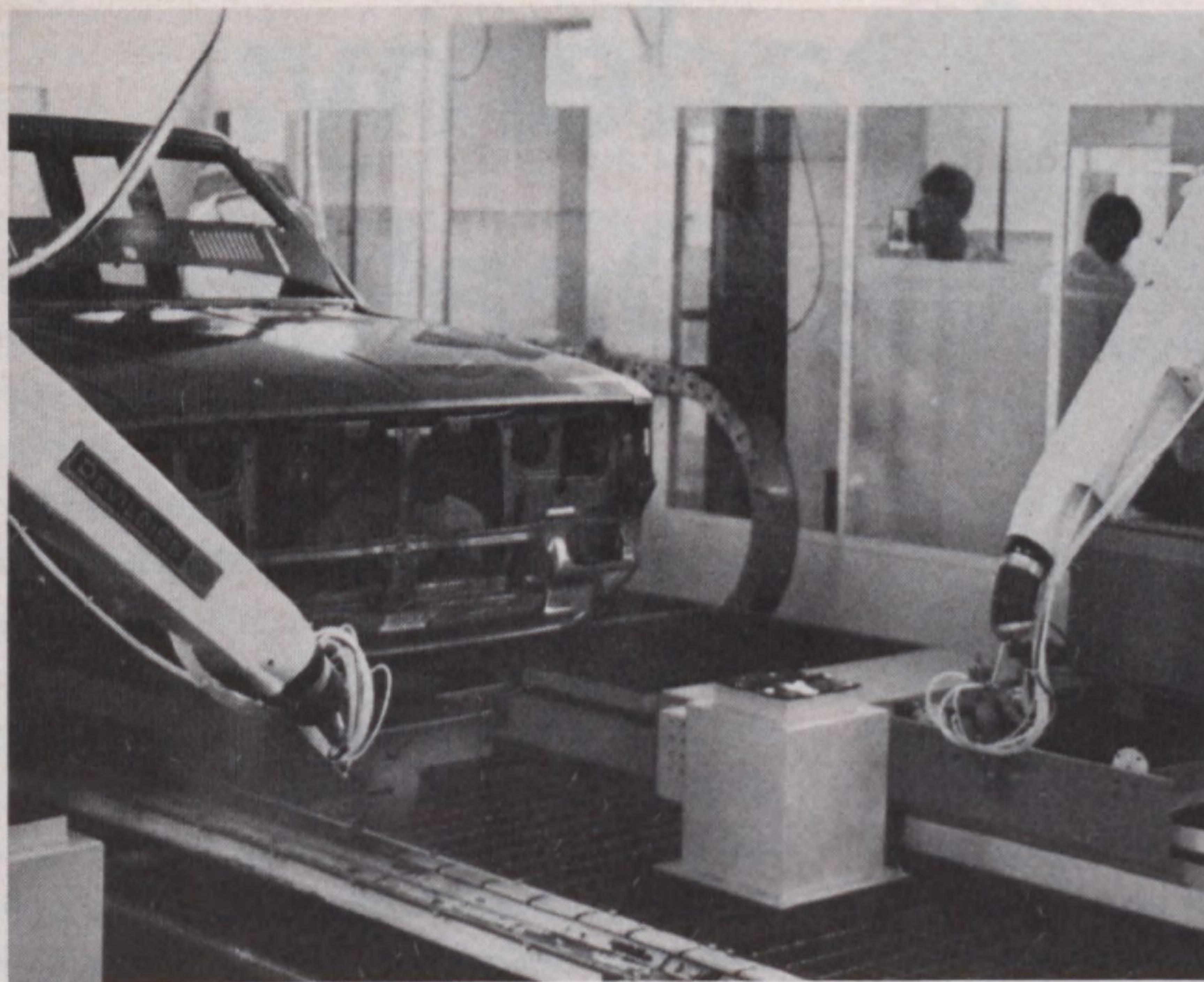
Nissan has made several changes to the '83½ models. The enlarged cab features nearly an inch more headroom and two inches more legroom than the '83s. Changes to the suspension system include revised shock absorber valving



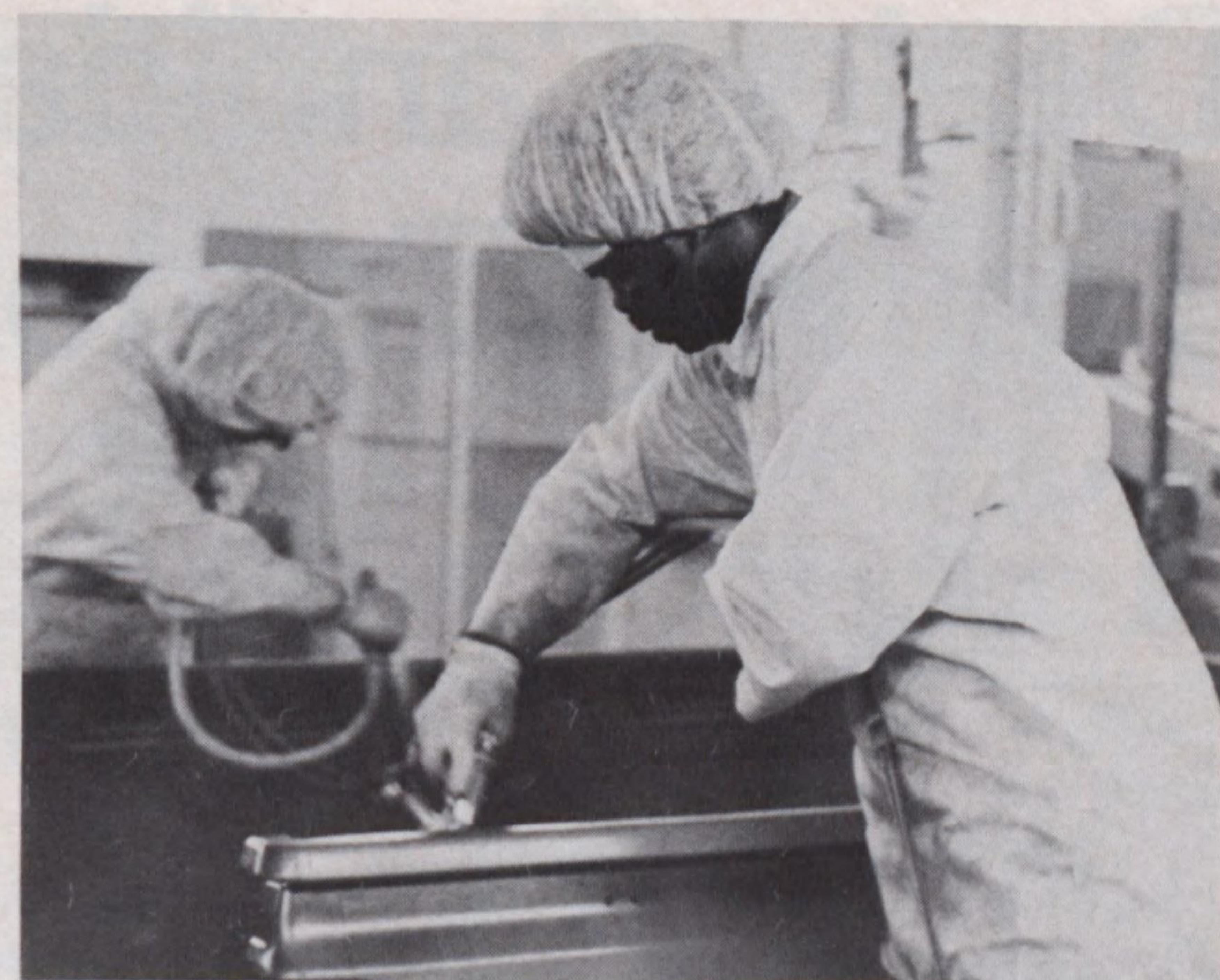
36 Conveyor moves frame part to the next stage of assembly.



Technicians still perform many of the more critical welds by hand.



A truck cab enters one of several painting booths.



Technicians touch up spots paint robots miss.

and steering linkage, ventilated front disc brakes and a front stabilizer bar on all trucks. Three new engines are also available: Nissan's 2.4-liter, a fuel-efficient 2.0-liter and a 2.5-liter diesel.

Nissan chose to produce vehicles here, Runyon says, because of its policy of building vehicles in the markets in which it does business. Other projects include manufacturing plants in Mexico and Australia. Nissan decided to go with trucks, rather than cars, Runyon said, "because trucks are simpler to build. They don't have as many options, and model changes take place less often. The initial cost of tooling up a truck plant is also lower."

### Training the Nissan Way

Training is a high priority at the plant. During 1981-82, more than 375 employees, including 128 hourly technicians, traveled to Japan to study Nissan's manufacturing methods. In all, Nissan committed \$63 million to train personnel in how to use and maintain the plant's welding, stamping, painting and assembly equipment.

"We want our people to be multi-skilled," says Wayne Wright, Nissan's vice president of human resources. "We don't have jobs for just welders or electricians or supervisors. Because of the nature of our equipment and our management style, we want people who have the ability to work in many areas and in many ways."

The Smyrna work force consists of about 85 percent Tennesseans. Many had never worked in the auto industry, and underwent a minimum of 47 hours of training on their own time before Nis-

san would even consider them for a position. The plant eventually will employ 2,000 persons, earning an estimated payroll of \$90 million. Only about two dozen employees are Japanese, including two vice presidents.

"From the outset," Runyon says, "Nissan wanted this to be an American company with American employees, building an American product. Nissan's leaving the running of the plant to American management and staff."

### The Japanese Influence

According to Runyon, a former Ford vice president, that means blending together the best of Japanese and American expertise. Quality control and human resources are two areas where the Japanese influence is clear to see. Employees are responsible for inspecting their own work, and are also encouraged—in fact, expected—to contribute ideas for improving operations. In the fall, the company plans to start quality circles for the sharing of such ideas.

Nissan's American plant has been non-union since its inception. The United Auto Workers vows to organize the workers, but Runyon said the plant's participatory management style takes care of employees' needs.

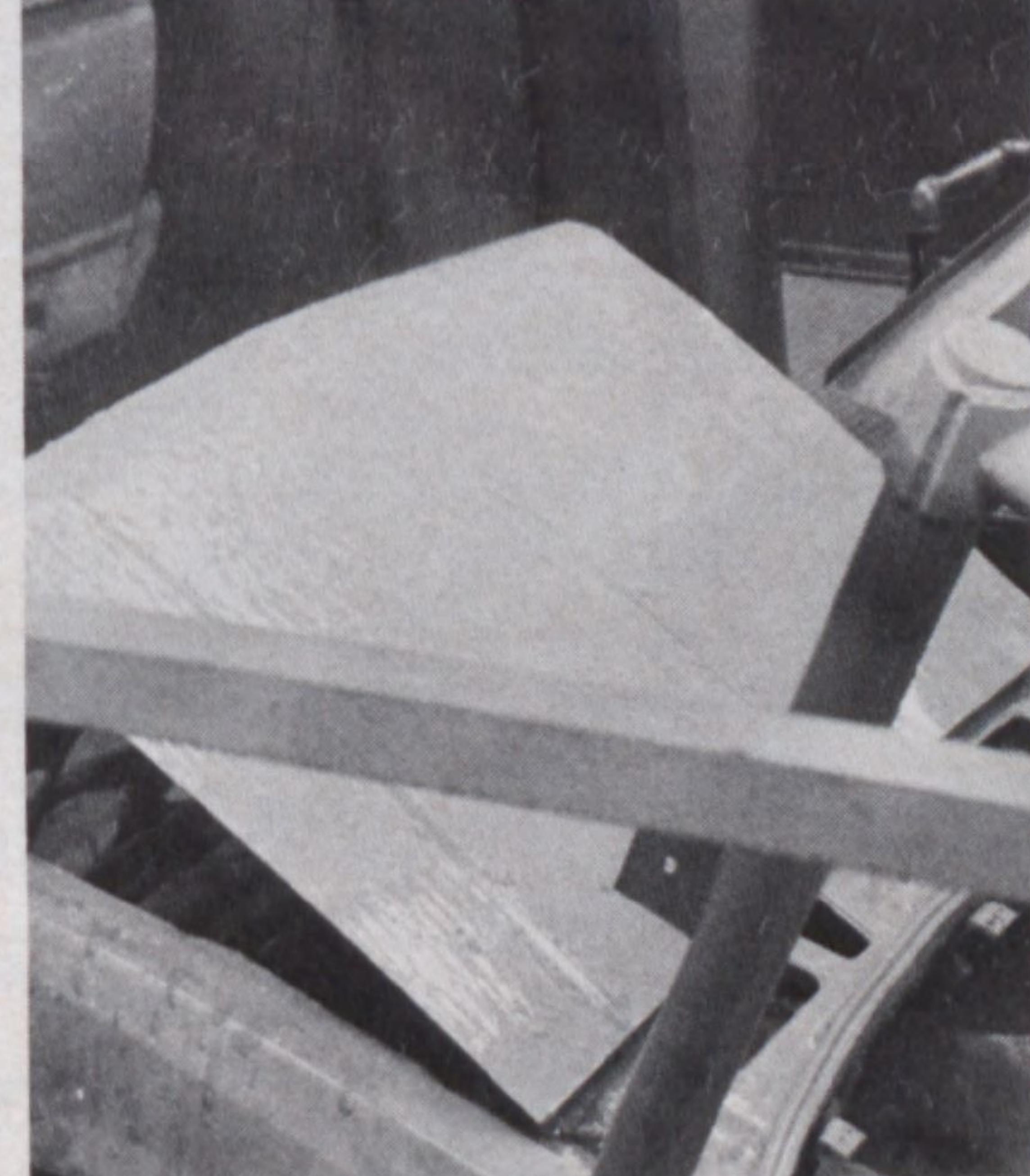
"We have just five levels of management instead of the 10 or 12 common in the American auto industry," Runyon says. "We have company-wide meetings every three months, and we all eat in the same cafeterias. Our wages and benefits are competitive."

### Commitment to Quality

The expectations for involvement

and quality performance extend throughout the company. All supervisors spend 80 to 120 hours on the shop floor learning every task they supervise, as well as leadership and team-building skills. Training takes place in Nissan's 30,000-square-foot training center, which houses both a shop area and classrooms. "Demonstration models of the company's robots and other equipment provide employees with hands-on practice," Runyon says. "All employees, regardless of previous experience, are involved in this continuous training program."

"Consumers are demanding quality as never before, and we will succeed as a company only if we continue to build trucks of the highest quality." □



Vehicles are dipped four times to prepare them for painting.

# Dealer Candidate Academy: Training Tomorrow's Dealers

by Gary James

**T**om Flurkey, the owner of a used-car dealership in Tewksbury, MA, enrolled because he hopes someday to run his own new-car dealership.

Seana Holtz and her husband, John, already own a successful import dealership in Rochester, NY, but she wanted to learn more about the business in case they decide to expand.

Charles "Kevin" Mize comes from a "car family" in Valdosta, GA, and he's preparing to eventually take over his father's business.

What do these three individuals share in common? They're all members of NADA's Dealer Candidate Academy Class IX, which graduated last month in Colorado Springs, CO. Since its inception in 1979, more than 200 men and women have participated in the program.

"The Dealer Candidate Academy," says Bert Saylor, the program's administrator, "was developed to equip businesspeople with the knowledge

and skills they need to profitably operate a new-vehicle dealership in today's economy. Approximately 75 percent of our graduates are now successful dealers and managers of retail automobile dealerships."

The program, an apprenticeship course in dealership management, consists of seven weeks of intense classroom study and 45 weeks of in-dealership training. Developed by dealers for dealers, the academy "isn't an ivory tower of higher learning," Saylor says. "Students learn by analyzing their own financial statements and their own operation—not by looking at a textbook example."

"Before I attended the academy," says Kevin Mize of Valdosta Lincoln-Mercury, "I couldn't have told you where the bottom line figure on a financial statement is located. Now I can read a statement in my sleep. Last month, I came back to the dealership and told my Dad that our frozen capital was up and that

we'd better make some changes, and he wanted to know what I was talking about."

At age 20, Mize is one of the youngest students ever to attend the academy. He's worked in his father's dealership full-time for the last two years, in the service, sales and parts departments, as well as the office. "I came to the academy to gain the experience I need to run a dealership," Mize says. "And that's exactly what I got. The academy provides the best possible training for a career in the retail auto industry."

A "car man for life," Mize is typical of the type of student who used to make up the majority of the academy's student body: dealers' sons and daughters who have been designated as dealer successors. That's the group the program was originally designed for when it was set up in 1978 with a pilot class of 16 students.

Today, however, after building a reputation for its information-packed, no-nonsense approach, the program attracts a wide variety of students. Included are successful businesspeople just entering the retail auto industry, experienced dealers and managers needing a refresher course, and spouses of current dealers interested in the business.

Tom Flurkey, a recent graduate, provides a good example of how the academy is changing to meet the needs of future dealers. In 1970, with \$300 and an abundance of energy, Flurkey started a small-car repair business out of his home. Several years later, he expanded the operation to include used cars. Now, with an academy certificate in hand, Flurkey plans to parlay his experience into a franchise of his own. "I'm ready to start the next phase of my career," he says. "I've talked to several of the factories, and they've been very receptive."

"Lots of guys walk into zone offices every day asking to be car dealers, but they don't have any credentials. The way I see it is, if you want a job in semiconductor physics, you go to the Massachusetts Institute of Technology.

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**"The academy provides the best training for a career in the retail auto industry."**

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Dealer Candidate Academy instructor Bert Saylor explains a calculation to Barbara Weiss, Key Chevrolet, Cupertino, CA.

If you want to be a car dealer, you go to NADA's Dealer Candidate Academy."

Flurkey was fortunate enough to acquire the backing of a franchised dealer in Massachusetts. The dealer, an NADA member, sponsors Flurkey in the NADA Academy and provides the necessary in-dealership support.

### A Hands-On Approach

What sets the academy apart? Its emphasis on "real-world" situations, say students. "After years of learning by crisis, it was invaluable to get together with former dealers and other students who have faced the same problems," Flurkey says. "So many ideas I got for improving business were directly transferable to my own place."

The academy features a mix of classroom study and hands-on experience. Each 52-week "class" begins with a 2-week home study course. During this period, students become familiar with the financial statement, dealership organization and the franchise agreement. When they gather for their first classroom session, students review their homework and receive instruction in financial analysis and forecasting. They leave class with specific assignments to be completed back in the dealership during the next 5- to 7-week home study period.

This pattern continues throughout the year. Other classroom sessions cover parts, service and body operations, used vehicles, new vehicles, and overall dealership management. In-class sessions rotate among various cities across the country, to keep expenses to a minimum. Students in Class XI, for example, will do their classroom work in Missouri, Colorado, Virginia, Texas, Florida and California. The cost of the program: \$5,000, plus travel expenses, room and board.

This year, for the first time, the academy uses computer analysis to help students understand their dealerships better. This approach, similar to NADA's 20-Group program, allows students to compare their profit-and-loss figures and evaluate their effectiveness, as managers over a period of months. Homework assignments give them a chance to further analyze the profitability of every department. (The sponsoring dealer agrees to make the dealership's monthly financial statement available to the candidate and the academy class for analysis.)



Pat Hembrough, Bill Hembrough Motors Inc., Rockford, IL, examines her firm's financial statement to determine profitability.

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**"So many ideas I got for improving business were directly transferable to my own place."**

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"Going through these exercises is helpful," says Seana Holtz of Holtz House of Vehicles Inc. (Honda, Mercedes-Benz and BMW), Rochester, NY. "It helps me spot weaknesses and trends, and get inside every department of the dealership."

A former business manager for a commercial photo studio, Holtz signed on with the academy to prepare herself to be her husband's successor. "Although I didn't have much experience before I started, the information I've gained has given me the desire to learn more and more. I now feel I have the capability to become a dealer if my husband and I add another location."

Students don't simply examine their profit centers on paper, however. The academy requires each student to work in every dealership department. "The involvement of the various department managers is an important part of the training," Saylor says. "The managers assume a stake in the student's success, and a relationship of trust and sharing develops. Also, the student is forced to learn each department inside out."

Instructors encourage students to implement profit-saving ideas in the dealership when possible. "I've gotten three or four ideas in class that have really saved us money," says Kevin Mize. "Recently, I switched our billing on internal

labor and parts to a full retail rate. It's made a big difference in profits. Our parts and service managers love me, but the new-car and used-car managers don't want to see me. Right now, I'm trying to convince everybody to open up our parts and service departments one evening a week."

When students reconvene in the classroom, they share such experiences: What worked? What didn't? Why? A frequent event is the "idea swap," where students each contribute \$1 and award the pot to the class member with the brightest idea.

Industry experts and dealers also join the classes for seminars on specific areas of dealership operations. Frequent speakers include Wendell Dockum of Dockum Pontiac in Oklahoma City, OK (parts), Jeff Sacks, Quality Chevrolet, Escondido, CA (internal controls), Mike Gorman of Tri-County Mercedes-Benz-Toyota in Fairfield, OH (leasing), and Bob Harkins of Pat Ryan & Associates in Chicago, IL (F&I). "Outside panelists give students a different perspective, and without fail, generate some lively discussions," Saylor says. "They are living proof that there are many different ways to be profitable."

### An Insider's View

It doesn't take outside speakers to give

students an inside look at the business, however. All of the academy's instructors have worked extensively in the auto industry.

Bert Saylor, the academy administrator, has more than 33 years of experience. Saylor joined NADA in 1977 as a 20-Group consultant. He has owned and operated a leasing company and a Buick-Pontiac dealership, and also was a district manager for Oldsmobile.

Forrest "Woody" Miller, an academy instructor, has worked in the industry for 15 years. He joined NADA in 1979 as a Sales Trak consultant. Miller's specialty is sales and leasing, and he served as the national leasing manager for the National Education Association for more than six years.

The academy's newest addition, Gerhard Urban, boasts more than 30 years in the industry. A native of Austria, Urban owned a dealership in Vienna, and has served as a district and zone manager for both foreign and domestic car manufacturers in the U.S. His expertise is in parts and service.

This year, for the first time, the academy began holding classes simultaneously at the same location so that students in various stages of training could get to know each other. "Class XI will have had four meetings by the time Class XIII begins," Saylor says. "During the full year, they will meet more than 100 other students in Classes IX, X, XII and XIII. These men and women become friends for life, learning as much

from each other and from their sponsors between classes as we could ever hope to teach them in the classroom."

As a recent graduate from Georgia expressed it: "The academy gave me an opportunity to learn from the best instructor that I could have ever found—my father. We did more communicating in that one year than we ever had before. The experience changed me. I'm more confident, more aggressive now. And that's what you need in this business."

The Academy typically starts three new groups each year. In 1984, starting dates will be January 16, May 14 and September 17. For information, contact Bert Saylor, NADA Dealer Candidate Academy, 8400 Westpark Drive, McLean, VA 22102-3593, (703) 821-7216. □

## Class IX Graduates

### Graduate

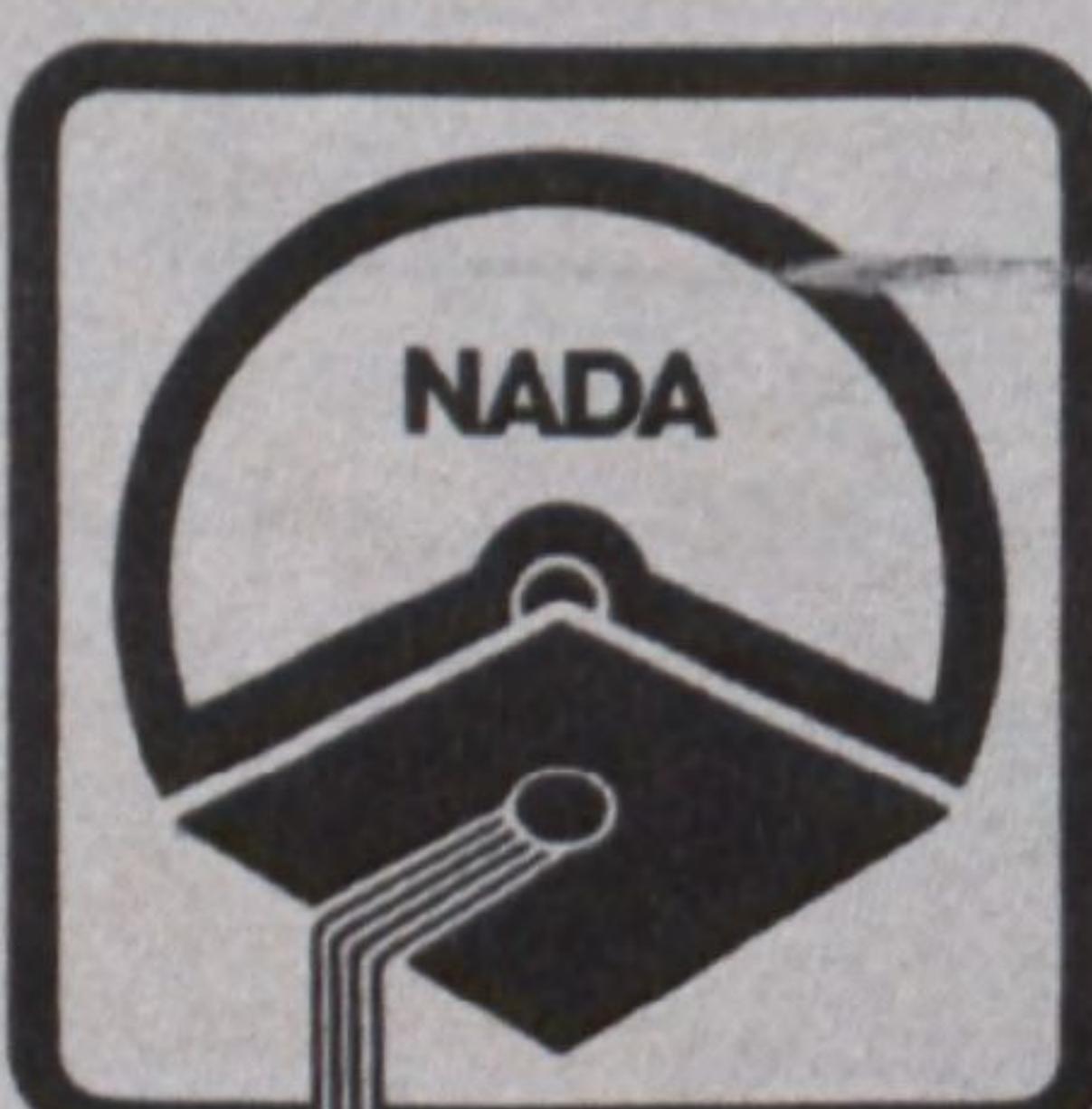
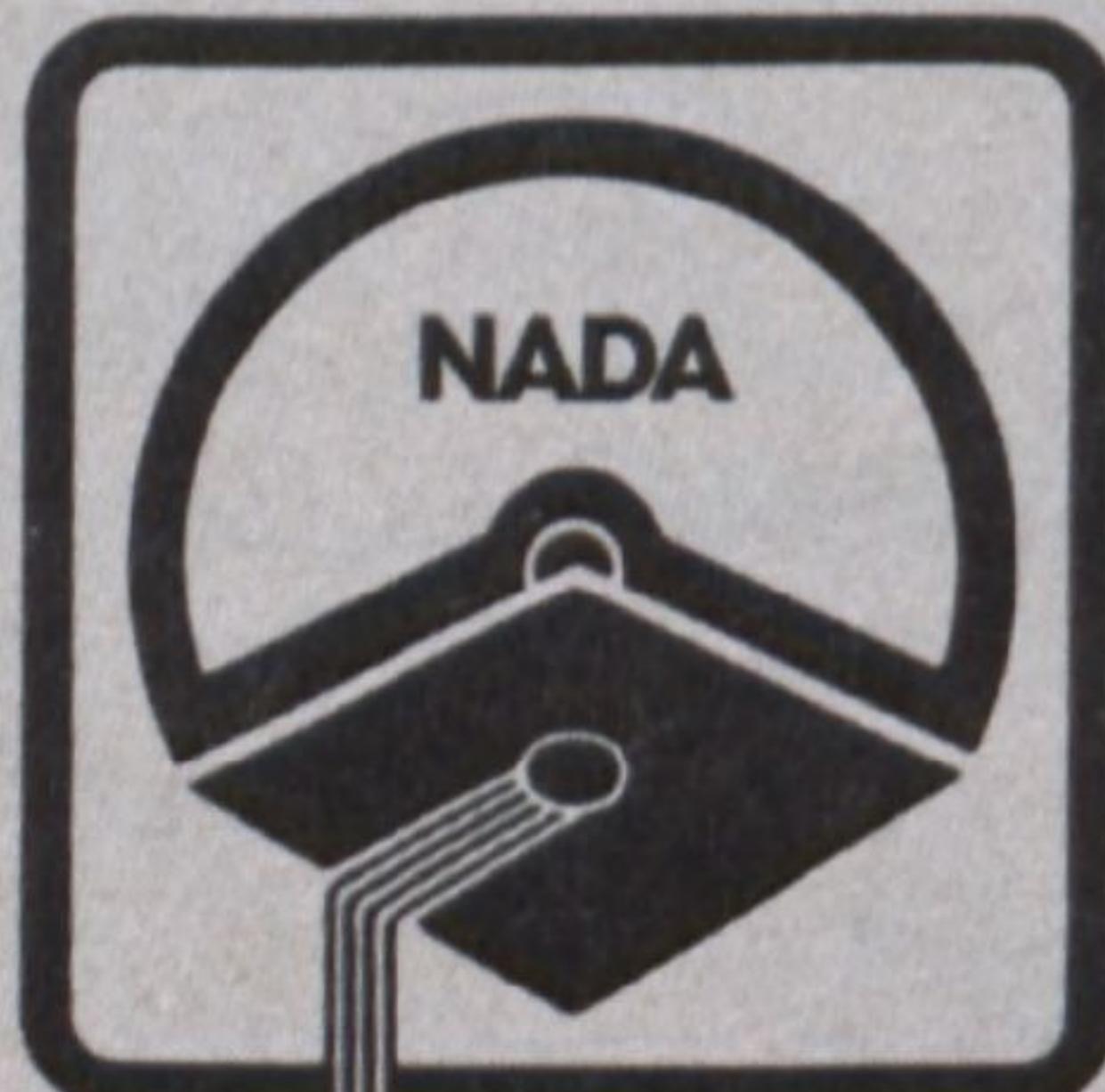
**Philip Artz**  
**James Brown**  
**Robert Brown Jr.**  
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1	AC Spark Plug	55	17	Lighting Systems	15
2	Atlanta Auto Auction	61		NADA Service Seminars	13-14
3	Barclays American	56	18	NADA 20 Groups	17
4	Bee Line	8	19	National Hole-In-One Association	59
5	Brasher's Auto Auction	61	20	Oakleaf	Cover 4
6	Celebrity Inc.	59	21	PADE	61
7	Celebrity Inc.	61	22	Recreation Vehicle Industry Assoc.	53
8	Concord Auto Auction	61	23	Saginaw Steering	10
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10	D'Elegance	48	25	Sports Achievements	61
11	D'Elegance	57	26	THERMO-GUARD	18
12	Display Data Corp.	62	27	Toresco	59
13	Energy Saving Products	12	28	Tricom	Cover 3
14	Flint Auto Auction	61	29	Universal Underwriters Group	Cover 2
15	GMAC	4	30	Western Diversified	3
16	Krex	12	31	Wheelways	7

### SHOWCASE—NEW PRODUCT SECTION

Circle No.	Company	Page No.	Circle No.	Company	Page No.
81	All-Test Inc.	63	88	Convertible Concepts Ltd.	64
82	Hein-Werner Corp.	63	89	Wisco Corp.	64
83	AMTEST Inc.	63	90	Automotive International Inc.	64
84	Snap-On Tools Corp.	63	91	Wheelways	64
85	NU*STAR, Boulay Marketing Corp.	63	92	American Pullman Coachbuilders Inc.	64
86	Optibelt Corp.	63	93	Ziebart Rustproofing Co.	64
87	Harada Industries of America	64			

# The Shape Of Cars To Come

by John Bentley

**D**etroit advertising copywriters are latching on to a new buzzword to lure buyers into dealers' showrooms. "Drag coefficient" has become the magic sales booster, despite the fact that the term is foreign to the average owner. It does, however, conjure up intriguing new horizons in aerodynamic design. Indeed, judging by the experimental wind-sculptured shapes that manufacturers now provide, automobile styling may be on the verge of its greatest refinement since the beginnings of the industry.

Scan the newspaper ads or special interest articles in your favorite auto magazine and you read that the Pontiac Trans Am has a drag coefficient of 0.31 compared with the Camaro Z28's 0.369. What does this really mean, and how is it going to affect the shiny new models that will be rolling into your showrooms a decade from now and beyond?

Can we expect automobiles of the 1990s to resemble truncated flying saucers, slinky bananas or landbound rockets? Not a chance. Set your fears at rest. Ignore the far-out styling exercises that the Big Three (and some European makes) indulge in just to keep the ball rolling. They have little to do with the practical use of aerodynamics in production cars.

Today, we are getting a clear view of the end-of-the-century automobile, and we see basic shapes that will be sleeker, but will not vary much, either in size or appearance, from compact 5-passenger models. The betting is on cleaner, more streamlined surfaces, pop-up or



smoothly faired-in headlights, wheel covers and flush fitting wheel discs, the disappearance of fancy airfoils and, for that matter, any kind of protrusion likely to pollute the airflow. This will mean windows that wind up without breaking the body contour, the disappearance of door handle shields and perhaps even of outside mirrors. Knife-edged styling, move over!

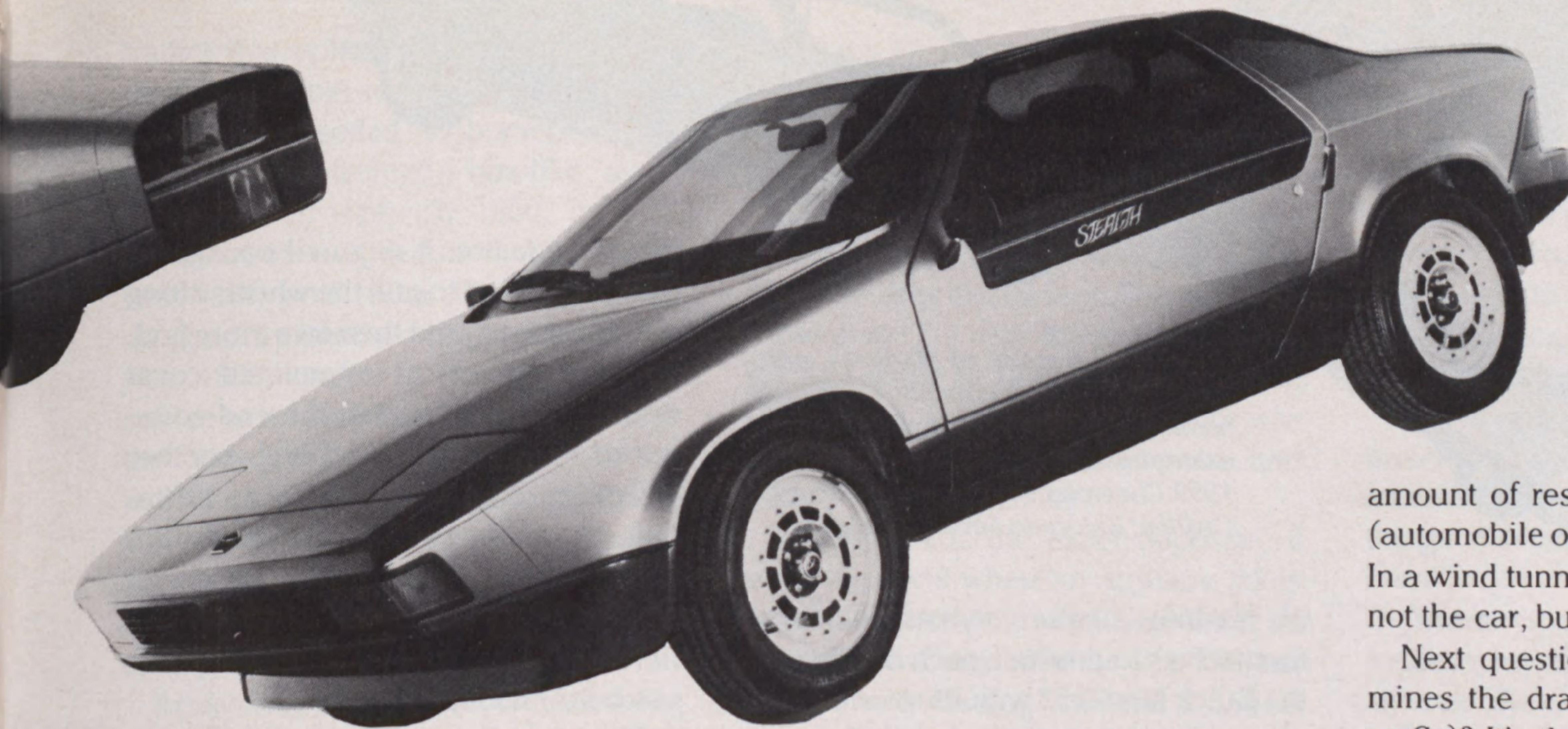
Engines will be smaller but more powerful, with 4-cylinder and V-6 designs sharing the pot, and these will provide better acceleration and higher top speed with a far lower gas consumption.

Look for improved directional stability in crosswinds and on curves, due to "downforce," a fascinating new aspect of aerodynamics (about which more later). Added passenger space, increased headroom thanks to lower seating and easier entry afforded by sliding doors are all on the drawing board, right now.

Another important factor affecting both performance and economy is

weight. A decade or so from now, most cars will be 33 percent lighter, which means they will shed over 1,000 pounds from their present average of around 3,000 pounds. How will this be done? The amount of steel used will be reduced by a third, while that of aluminum will be doubled. The use of aluminum in American-built cars already has increased dramatically since 1968 when regular statistics became available. According to the Aluminum Association, the average Detroit auto that year weighed 3,863 pounds and used 72 pounds of aluminum or 1.9 percent of total weight. A decade later, the equivalent auto was 276 pounds lighter and used 114 pounds of aluminum (3.2 percent).

Today, the average U.S. auto is down to 3,009 pounds or 854 pounds lighter than its 1968 predecessor, and now uses 135 pounds of aluminum—46 percent more than it did 15 years ago. The greatest proponent of aluminum is the 1983 Corvette, which features 100 alloy components (from pistons to tail lamp plate), totalling 375 pounds. This represents a weight saving of at least 825



GM's Aero 2002 (top left), the latest design concept by Chevy, is the slipperiest ever, with a drag coefficient of 0.14. Only 2.1 horsepower is needed to overcome wind resistance at 50 mph. Extreme good looks highlight Ford's Probe IV (left), first to break the 0.20 Cx barrier with an aerodynamic drag of 0.15, equivalent to that of a jet fighter. It requires only 2.5 horsepower to cruise at 50 mph and uses 20-percent less fuel than the average sedan. Stealth (above), Chrysler's turbocharged 2.2-liter sports car, is the most conventional of the Big Three's concept cars. Evolved from the TC3/024 model, Stealth features a low drag coefficient of 0.24.

pounds.

Statistics of this kind are impressive because they come at you like well-aimed darts, but even so, there's more to this picture than meets the eye. The prime objective in putting automobiles on a "diet" of aluminum is to make them lighter—much lighter. The lighter the car, the less gas it uses, but that's only one benefit. Another is that if public taste should swing back to somewhat larger cars, the use of non-ferrous metals will permit building them without weight increase.

This search for ways to save weight has also led manufacturers to use more plastics in their vehicles. In the next decade, the use of plastics will increase by 50 percent. But don't think in terms of the hooks you glue to your bathroom door. Modern plastics are tougher than steel. In fact, the indiscriminate use of the term "plastics" is rather like calling a horse a nag.

Think rather of RRIM (reinforced reaction injection molded) polyurethane, a fantastically tough material that can also produce a fine surface for body panels. Chevy's Corvette uses it and so will Pontiac's mid-engine 2-seater sports car, the Fiero, to be introduced in September.

The Fiero's body consists of about two dozen plastic panels bolted to a steel subframe. The hood will be made of a fiberglass-reinforced polyester known as sheet-molding compound,

and the front fenders and outer door panels of the softer RRIM polyurethane. In a unique "drill and mill" process, the "space frame," the structural components of the car, will be precisely machined to tolerances normally associated with engines and transmissions. The result will be Swiss-watch-like fits. This little honey weighs in close to 2,000 pounds, and gas consumption is reduced to 50 mpg at 50 mph.

A couple more interesting points about cars of the next decade. The average new-car buyer will hang on to his purchase 20 percent longer, for a span of five years compared with three years today. One reason will be the continued high cost of automobiles, but an equally valid one—you've guessed it—will be advanced technology in manufacture. For example, improved corrosion protection alone will increase a new car's lifespan from 11 to 14 years.

Last but not least, there's a kind of chain-reaction effect in reducing the weight of an automobile. The lighter it is, the less beefy its drive-train (transmission, clutch and differential housings) needs to be—a substantial added gain.

#### The Lexicon of Aerodynamics

This article led in with a reference to "drag coefficient." What exactly do engineers mean by this somewhat mysterious term? Simply put, it expresses the

amount of resistance a moving object (automobile or aircraft) offers to the air. In a wind tunnel, it's the air that moves, not the car, but the result is the same.

Next question: what is it that determines the drag coefficient (expressed as Cx)? It's the general shape, starting with the frontal area and working back, including top, sides, underpan and rear end.

We now come to the lead quiz: why is aerodynamics so important? Because, the less power you require to propel a given shape at a predetermined speed, the less gas you use. And that, for a long time to come, is likely to be a leading concern of consumers.

This whole subject comes under the heading of aerodynamics, simply called "aero" by engineers, but the drag coefficient is a bit more complex because it depends on the geometry of the car's entire surface, not just its frontal area. It also depends on rolling resistance as expressed by the combined friction of all moving parts, and on atmospheric pressure and humidity. But we're not conducting an aerodynamics seminar, so it's enough to remember that the drag coefficient varies with the square of the speed. Thus, the resistance of a moving body to the air is *four times* as great at 60 mph as at 30 mph.

You would naturally expect that the size of a car relates to its resistance to the air. Not so.

Aerodynamics demonstrates that the bulbous part of an egg, when facing the wind, has a drag coefficient no greater than a small lump of sugar. To prove this, use the "Index"—a more accurate and reliable figure than the Cx alone—for comparison purposes. How do you arrive at the Index? Simply multiply the drag coefficient by the frontal area.

Example: A Toyota Tercel Liftback has an Index of 10.15 (0.54 drag coefficient x 18.8 square-foot frontal area). This is considerably higher than the much larger Mercedes-Benz 500SE with its Index of only 8.24 (0.36 drag coefficient x 22.9 square-feet). Which of these



two offers less resistance to the air? The Mercedes-Benz.

### The Decade of Madness

But let's go back a bit. Until the gas crises of the '70s, few automobile manufacturers paid much attention to the term "drag coefficient," while "down-force" and "ground effects" were not even a part of the automotive dictionary. Cars presented clifflike obstacles to the wind, encumbered by huge headlamps, bulky windshields, long fenders, running boards with spare tires and all kinds of protuberances. As long as these autos ran well, nobody paid attention to how much power was being wasted, even on racing circuits.

This general disregard of aerodynamic principles climaxed in the 1950s, otherwise known as the Decade

*During the Decade of Madness, automakers threw any concern for aerodynamic principles to the wind. Three prime examples: the 1950 Buick Model 52, the 1959 Chevrolet Biscayne and the 1959 Cadillac Eldorado Seville Brougham.*

of Madness, when stylists fell over themselves to produce such oddities as the Buick Model 52 with its rows of grinning chrome-plated buckteeth and dummy portholes, the Chevy Biscayne with its swallow tail (or Fu-Manchu grin), and the super-finned Cadillacs with their horizontal projectiles of red glass. None of these cars had any more to do with aerodynamics than a barn door (see pictures above).

The very precise science of aerodynamics which will shape cars of the future was, in fact, known before World War II, but its application was limited to aircraft, including the famous German Zeppelins. Probably the most significant episode relating to aerodynamics, and therefore to the drag coefficient, occurred in 1927. Shortly before Charles Lindbergh took off for Paris in his overloaded "Spirit of St. Louis," he realized that the wire wheels of the plane's non-retractable undercarriage were a signifi-

cant drag factor. It required considerable extra power to pull the wheels along at flying speed, and therefore more fuel.

The cure was a streamlined cover over each wheel that in the end so reduced drag it gave Lindbergh another 400 miles range. Without this modification, the chances were he would have run out of fuel and landed in the sea. Interestingly, at that time, engineers believed that aerodynamics were of little use below 80 mph!

The present aerodynamic age, as applied to cars, didn't start in the U.S. until 1930, when a series of wind tunnel tests were run at Kansas State College. From 1930-34, various cars were tested, starting with a diminutive American Austin and followed by the 1931 and 1932 Chevrolet, Buick and Dodge, and the 1932 Ford, Hudson, Plymouth, Pontiac and Studebaker. The series ended with the 1934 DeSoto Airflow, kissing cousin to the ill-starred Chrysler Airflow. The average frontal area for the 13 cars was 26.3 square-feet, the average drag coefficient 0.675—not an inspiring number by today's standards. The lowest figure belonged to the DeSoto at 0.51, identical to the Chrysler Airflow Eight, incidentally.

Chrysler's effort (see picture on next page) deserved a better fate, but like many other forward-looking ideas it bombed because the public was not ready to accept anything so radical. After the slow sale of 38,864 units, production was called off, making the Airflow the costliest White Elephant Chrysler Corp. ever dreamed up. Moving the engine forward 18 inches permitted the location of the rear passengers ahead of the rear axle, which meant an improved "cradled" ride. So perhaps it was the grille, boldly curved to imitate the "cow-catcher" of a locomotive, and the faired-in rear wheels that put people off.

There were attempts within the company to revive and update the Airflow with improved streamlining, but the management shook its head No! "Forget it. All we want to see are conventional silhouettes. Streamlining is dead. Nobody will ever buy it."

Nobody will ever buy it, huh?

A progress curve projected from 1900 through the year 2000 seems to con-

## The Use of Aluminum

**A**luminum currently used in all American cars and models has the following applications:

- 5 in bumper systems (sheet, extruded and anodized)
- 12 in wheels (cast and forged) and wheel accessories (extruded, cast and anodized)
- 2 in trim moldings (anodized and sheet)
- 19 in bodywork (sheet and extruded)
- 32 in engine and power trains (cast, sheet and tube)

Aluminum castings are cost competitive with ferrous metal and have a higher strength-to-weight ratio (same thickness, equal strength). Example: One pound of aluminum replaces three pounds of ferrous metal.

- Aluminum is corrosion-resistant, an important longevity factor that affects cost.
- Aluminum's high thermal and electrical conductivity permit welding procedures superior to those used for steel.
- The use of aluminum in all U.S.-built automobiles has more than doubled during the past 15 years, from 1.9 percent of total weight in 1968 to 4.5 percent in 1983. This represents 135 pounds of aluminum in a 3,000-pound car—today's average weight.

tradic that opinion. At the turn of the century, another way to express  $C_x$  was to say you needed 40 horsepower to propel a flat-fronted, box-like automobile at 60 mph. By 1950, only 22 horsepower was required, or a little over half, and today the output has dropped by another 40 percent. In the year 1990, under 10 horsepower will suffice to do the job, while at the turn of the century the average production car will be so sleek that seven horsepower will easily achieve the same speed. What this will mean to the average owner is a decrease in gas consumption of 20 percent.

According to Alex Tremulis, a well-known stylist and confirmed "aeroholic," this downward curve is predicted on a constant frontal area of 22 square feet, and a weight of 2,200 pounds, which taking into account the big cars with the small, seems about right when viewed over a period of a century.

As a matter of interest, the imports have maintained a pretty good batting average in the drag coefficient area. Of 41 cars tested (German, French, Italian, British and Japanese), the  $C_x$  was 0.41 with a frontal area of between 18.3 square-feet for the diminutive Fiat Panda and 32 square feet for the Volkswagen Vanagon.

The remarkable thing in those ultra-clean, aerodynamic designs is the air drag "pollution" that can result from such seemingly minor details as door and hood gaps, windshield wiper blades, the narrow ledge created when a window glass is fully raised, the balance weights on a wheel rim or even a deployed radio antenna.

A moving car is so sensitive to aerodynamic drag that a small change in the angle of incidence due, say, to an overload at the back causing the front end to lift just one degree, can increase the  $C_x$  by 2 percent. Among common accessories that increase aerodynamic drag are luggage racks (13 percent),

mudflaps (7 percent) and spotlights (2 percent), to mention only a few.

### Making Use of "Downforce"

Recently, aerodynamics have gained valuable help from another factor besides the drag coefficient. This is called "downforce," a very interesting discovery that came to light while designing Grand Prix Formula I cars, and was quickly adopted at Indianapolis and other American circuits.

Downforce is the exact opposite of what happens when an airplane takes off. Few people who fly in commercial aircraft have any idea how a 300-ton giant like a Boeing 747 can lift itself clear of the runway and gain heights with all that weight. What happens is pretty simple. The aerfoil section of the wing presents a concave underside to the air. As the plane gains speed, a dense air cushion builds up underneath the wing while a vacuum is created along its upper surface. Something is pushing up pretty hard (air) while nothing is pushing down, and that's more than enough to overcome the pull of gravitation.

One day, bright engineers who designed race cars asked themselves the obvious question: why couldn't that process be reversed so that the air, instead of trying to lift up the car to the detriment of road-holding, would push it down hard, so it stayed glued to the surface on corners and didn't spin off or even skid? Why not exactly reverse the effects that let an airplane fly with a huge payload? Why not, indeed. That was the birth of the spoiler, a wing-shaped structure now generally located low at the front of the car. This "wing," being upside down, presents a concave upper surface that traps air, and a convex lower surface that creates a vacuum. (The same principle applies to side pods housing gas tanks.) At speed, a Grand Prix car can be made to push down on the road with a force twice its weight. It doesn't have to be heavy to

start with. In fact, today's Formula I racer, with a 650-horsepower engine, tips the scale at around 1,200 pounds. But at high speeds on a winding circuit, its tires push down on the road with a force of perhaps 2,500 pounds. What this can do to a driver's ego is best described by engineer Frank Dernie of the famous Williams team.

"Reduce air drag 5 percent and the driver can't even tell the difference. But increase downforce by 5 percent and he thinks it's fantastic and drives like a hero!"

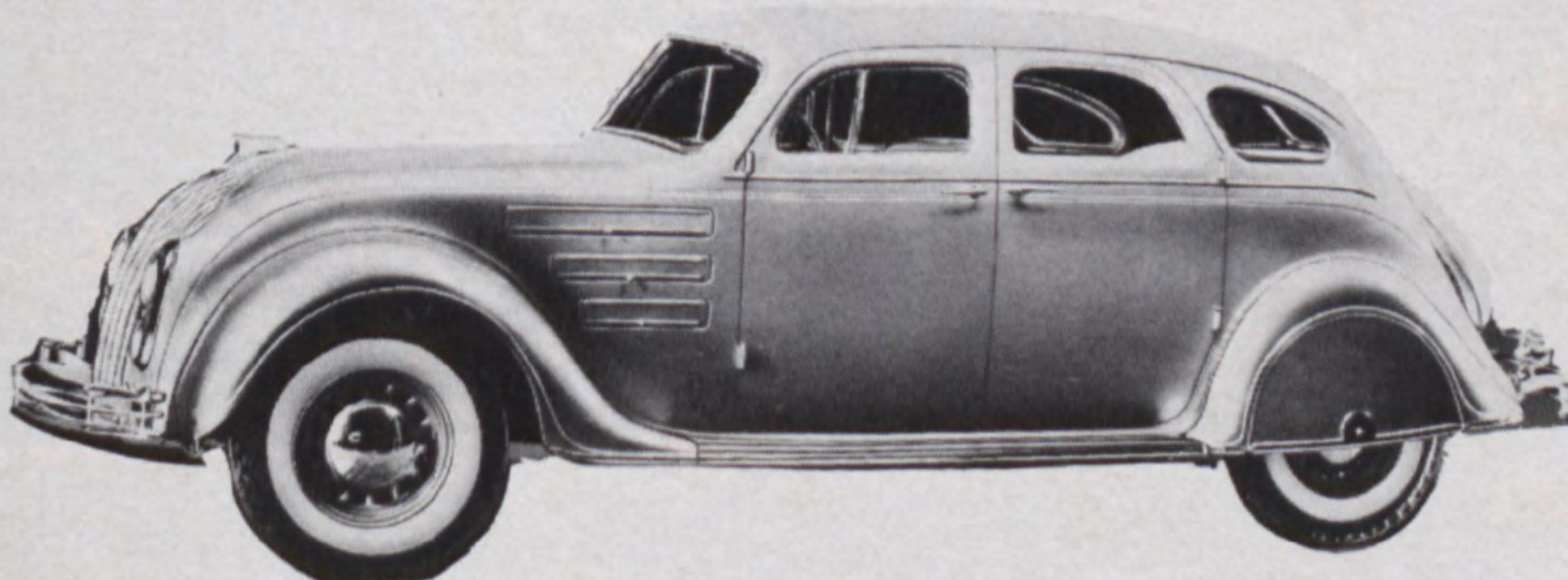
Contrary to what might be expected, modern Formula I and Indy cars aren't all that slick. Add up the extraneous shapes that pollute the airstream—the open wheels, exposed suspension, ducts, mirrors, side pods, windshield and whatnot, and you're lucky to come up with a drag coefficient of 0.80—inferior to that of the most poorly designed passenger car. But downforce—that's what really shrinks the lap times.

Don't look to spoilers, however, to pollute the total smoothness of Ford's Probe IV, GM's Aero 2002 or Chrysler's Stealth, however. You won't find any. There are other ways of generating downforce. Probe IV and Aero 2002 both have a full length underpan shaped to create a vacuum below it. Aero 2000 achieves similar effect by ducting the airflow with ingenious baffles. So does Stealth. But the downforce is there, doing its stuff. Presently, GM's 2002 is leading the aerodynamic drag race with a  $C_x$  of only 0.14, fractionally under that of Probe IV and good enough for a jet fighter. Aero 2000 checks in at 0.25 and Stealth at 0.24. It's a close race, but only two of these cars have broken the magic 0.20 drag coefficient barrier.

Couple the generated downforce with a low  $C_x$  and you get the desired result—a slippery but still conventional shape that keeps the car glued to the road, endowed with a variable weight.

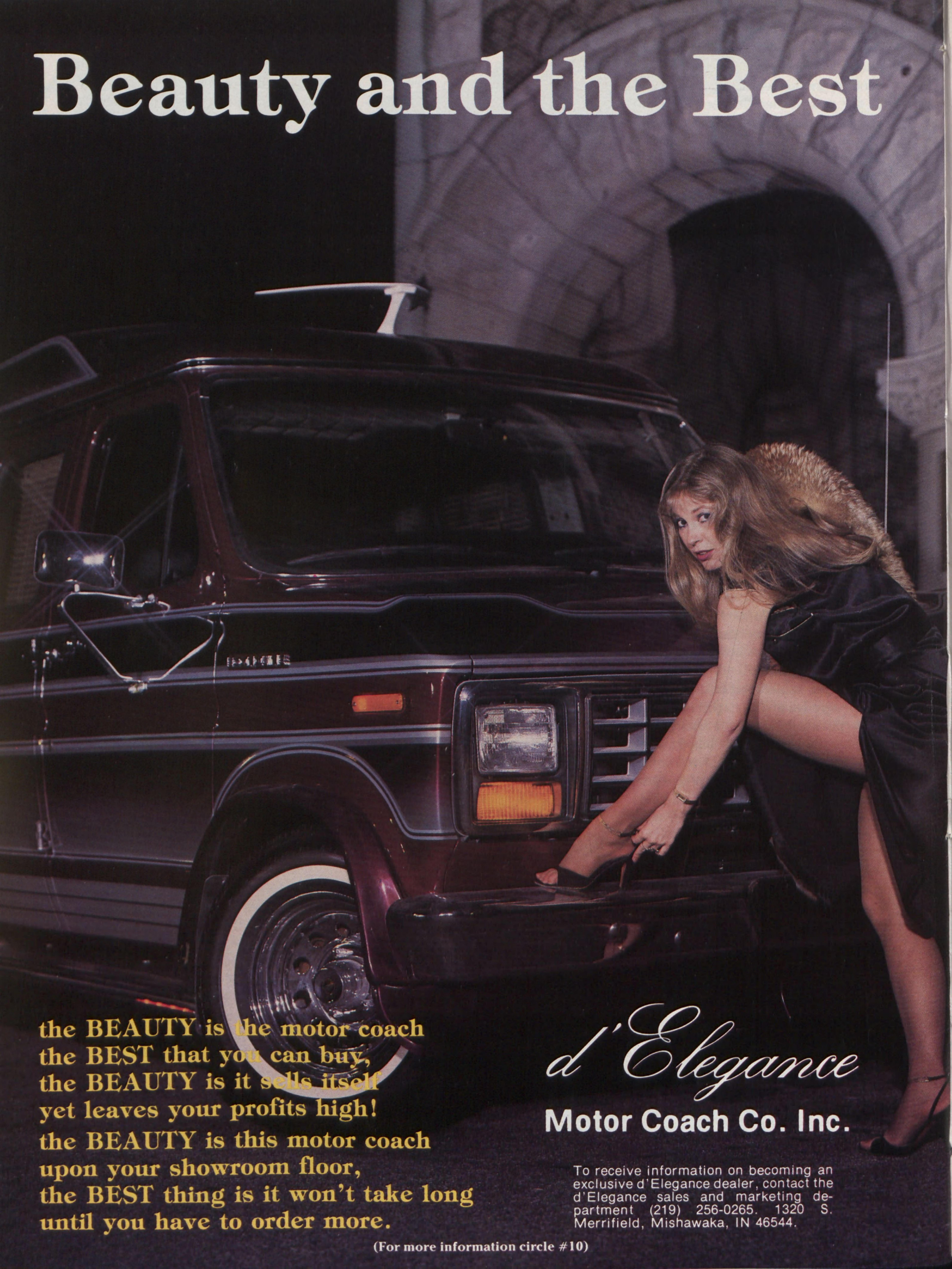
The accompanying photos on page 44 give a good idea of what cars will look like at the turn of the century, and perhaps even sooner. Neat, don't you think? □

*Editor's Note: John Bentley, a longtime observer of the auto industry, has written 16 books, including biographies of Carroll Shelby and Ferdinand Porsche. He has contributed more than 250 articles to such publications as Playboy, Sports Illustrated, Esquire and Road & Track. In his spare time, he races in SCCA and other events.*



The 1934 Chrysler Airflow was way ahead of its time in terms of aerodynamics, but the public never went for its bold curves and innovative design. □

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# Chrysler: High-Tech Properties From Smokestack Industry

by Peter S. Lukasiak

In early June, Chrysler gathered 14 of its 1984 model cars, its top engineers, a sprinkling of management VIPs and key automotive writers and editors at Chelsea, MI, for its 1984 Model Long Lead Preview. The event included engineering briefings, model demonstrations and "hands-on" test drives.

Like their management, Chrysler's engineers are buoyant about the impact of the company's 1984 models. Under the "best in class" strategy, the company offers quality models for each market segment.

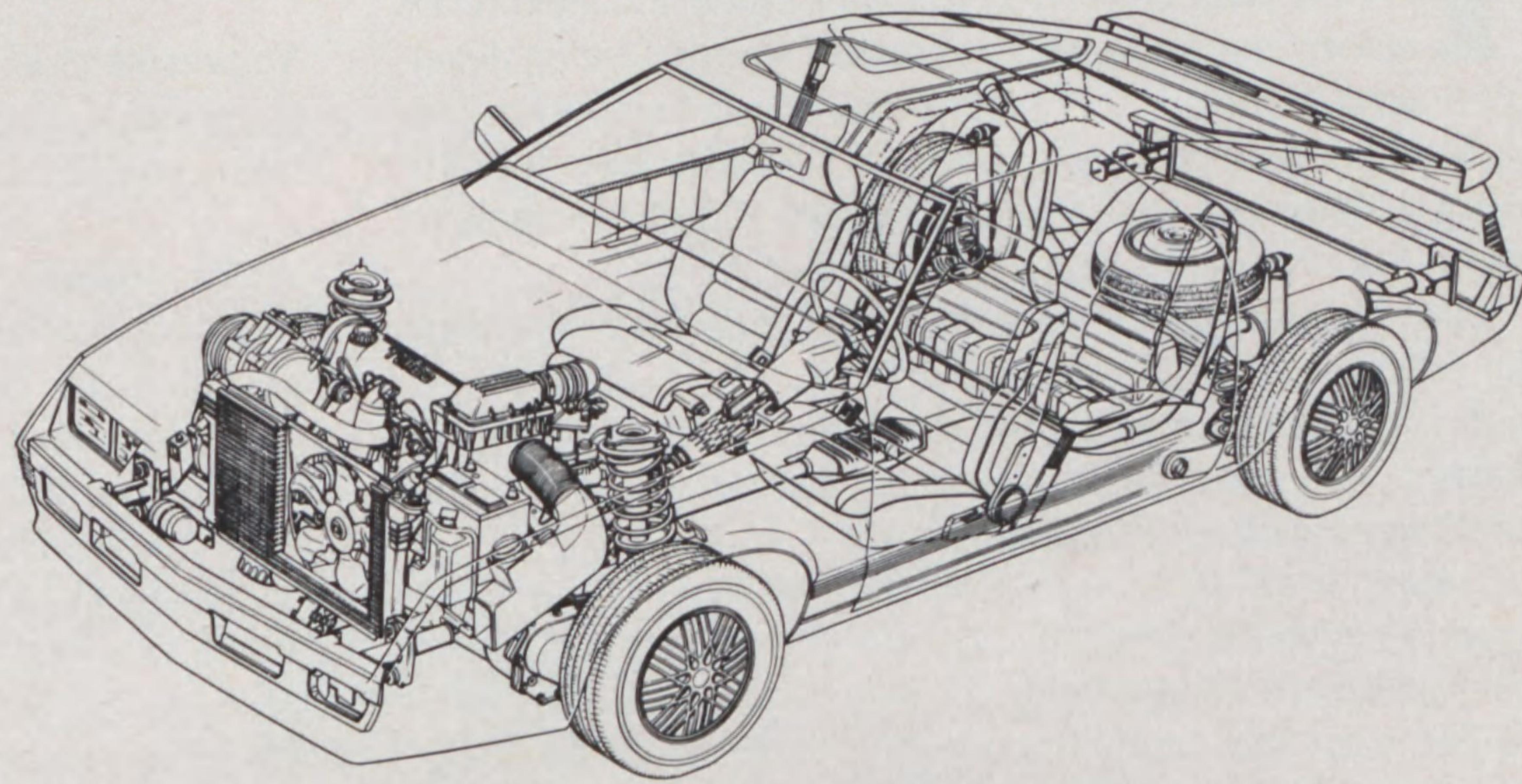
While all the models drew good press attention, real interest centered around the new sports cars—the Chrysler Laser and the Dodge Daytona. As hot as the June sun, these cars represent entries for a market that Chrysler hasn't pursued for many years.

These new entries, built on the J-car frame, are powered by Chrysler's 2.2 liter engine, but with an added fillip—off-the-shelf Bosch fuel injection. ("We went for reliability," said one project leader.) For the adventurous, there's an optional turbocharged version. Engineers claim that the turbocharged version will not only deliver V-8 performance on demand, but give 34 mpg as well.

Standard equipment includes the fuel-injected 4-cylinder, a 5-speed, close-ratio transaxle, fast-ratio power steering, full instruments with console and tach, fully-reclining bucket seats and steel-belted tires. Optional aluminum wheels and high-performance tires are available for the turbocharged version.

To eliminate wheel hop and improve handling, the suspension package was reworked and half-shafts were added. The result is a driver's performance car.

The car is standard with engine self-diagnostics, an electronic navigator system, a voice-alert for safety and con-



*Chrysler Laser sports car features are shown in this phantom view, showing front-wheel drive arrangement, 2.2-liter turbocharged engine, 3-speed automatic (or 5-speed manual transmission), rack and pinion steering, bucket seats, hatchback storage area, and bumper systems, among other components.*

venience, an electronic message center and an electronically tuned radio and clock. With high-line front buckets (adjustable thigh and lumbar supports) and side window de-misters, the car is made for the driving enthusiast. It should reach a market that Chrysler dealers will welcome.

The top-of-the-line Laser XE adds electronic instruments and a 24-function monitoring system that extends to worn brake pads and defective signal lamps.

The vehicle will be manufactured at Chrysler's St. Louis plant, but there are options to expand production to other plants to meet expected demand.

If there was an alternate media star at the two-day event, it was probably the Dodge Caravan and the Plymouth Magic Wagon—the minivan (see *Automotive Executive*, June 1983). It's a vehicle Chrysler and others predict great things for.

The vehicle is only 11 inches taller than the K-car, whose platform it's built on. (It's 14 inches lower than the standard van.) With front-wheel-drive,

there's a flat floor and only a half-inch higher step-up height. The wide track (48 inches between the wheels) gives excellent stability and ride comfort.

The vehicle seats up to seven people with room for luggage. Walk-through space allows someone to go from the front seat to the rear of the vehicle, a convenience young families will appreciate.

Equipped with the standard 2.2 liter 4-cylinder engine and fitted with flush side glass, the vehicle delivers fuel economy with a very quiet ride. And the trim package is Chrysler standard. Coated steels and uniprime paint should provide the best corrosion protection on the market.

Minivan manufacturing is set for Chrysler's Windsor, Ontario, plant, most recently the production side of the New Yorker. The plant is being gutted and completely retooled. Along with robotics and advanced technology, this production line will feature in-line vehicle production. Chrysler claims this is a first in North America and looks for above average quality. □

## Don't Tamper

The members of NADA's Used Car Guide staff have received many calls lately from both state and federal law enforcement agencies in regard to cases being developed against individuals or organizations accused of tampering with odometers. These agencies call us because they are trying to determine the value of a car before and after tampering, at least I presume that is the objective.

This is not intended to serve as a legal guide; that lies within the expertise of your own legal counsel. There are attorneys and courts which undertake to determine "intent" and similar matters of interest. Our purpose is to point out what most of us think we already know, but may not.

I think we are all in agreement that, all other things being equal, a car with less than average mileage is worth more than a car with more than average mileage. And taking it one step further, a car with less than average mileage *appearing on the odometer* will be worth more than a car with more than average mileage *appearing on the odometer*.

Since the manufacturers have not developed, or at least have not presented to the buying public, a tamper-proof odometer, those without respect for the law might be inclined to tamper with an odometer or, in some cases, cause it to be tampered with. In simple language, there is possible economic gain for those who tamper with an odometer by setting it to a lower mileage reading, assuming they don't get caught.

We live in the real world and know the limitations of law enforcement. Even though it is illegal to traffic in certain drugs, it is still done continuously and it is a big industry. Many years ago the United States attempted to control the sale of alcoholic beverages, but "prohibition" was such a failure that the law was later repealed. Those of us in the automobile industry read of *this* "odometer bust," or *that* dealer going to jail, but the practice of resetting odometers is hardly uncommon.

When resetting was not a violation of the law it was a very common practice, and many purchasers of used cars were aware their odometers had been reset. Some dealers set all used-car odometers to a certain reading and advised the buyer of this action. (I'm not sure they disclosed from what point it had been reset.) When cars were reconditioned it was common to set the odometer to conform with the "new" condition of the car. I'm sure there were cases where this practice led to abuse. There was, however, a difference in those days. The economic gain was less and the practice was not limited to dealers; private owners often disconnected the odometer to limit the recorded mileage.

Well, let's turn to 1983 and relate tampering to today's environment. Different states may have their own odometer laws, but this is not the place to even comment on them. We'll merely touch upon the federal law and quote two paragraphs.

*No person shall disconnect, reset or alter or cause to be disconnected, reset or altered, the odometer of any motor vehicle*

*with intent to change the number of miles indicated thereon.*

*No person shall, with intent to defraud, operate a motor vehicle on any street or highway knowing that the odometer of such vehicle is disconnected or non-functional.*

One presumes that the second paragraph quoted would offer some protection to someone who drives a car with a broken odometer, one which broke due to "natural" causes.

As a private citizen, the first paragraph interests me because I have come to distrust phrases like "cause to be." Does "cause to be" mean only that I arranged with someone to reset an odometer? Could it be interpreted to mean I would be in violation if, as a salesman, I suggested to a prospect, whose trade was nice but of high mileage, that a lower odometer reading would be very much to his gain? Do we reach a point where "the devil made me do it"?

Let's use this as an example: a car is offered in trade and the appraiser or salesman comments in some way about the "excess" mileage. The customer, realizing a small mechanical adjustment might be worth several hundred dollars, finds someone to set the odometer to an "acceptable" mileage and the car is again offered in trade. The owner completes an odometer statement which indicates the mileage as shown on the odometer. The dealer puts the car on his lot and sells it, offering an odometer statement which relies upon the customer's statement, but which also requires the dealer to certify as to his own knowledge of the odometer reading of the car. The retail buyer, by one means or another, learns of the car's true mileage and goes to the dealer. If the purchaser can prove the appraiser or salesman knew the true mileage, the dealer could be guilty of offering a false mileage statement. Carrying matters a bit further, could a court interpret the act as one in which the dealer's employee "caused" the odometer to be set to another reading?

One suspects law enforcement agencies are not going after the individual; there are civil remedies available to the injured party. A dealer or trader in used cars may be considered a more likely target for law enforcement agencies, since we are speaking of the criminal act of tampering or having knowledge of tampering.

I mention this subject only as food for thought. I cannot say that enforcement by state and federal agencies is increasing, but I do know that I am hearing more about it. While it is true that practically everyone knows tampering with odometers is against the law, I am curious to the degree to which dealers in used cars understand the law. Perhaps it might be worthwhile for these dealers to have their attorneys go over the law with their salespeople and appraisers. □

*This column is prepared exclusively for **Automotive Executive** by James "Harry" Lawrence, editor of the NADA Official Used Car Guide. All comments are questions pertaining to this column should be mailed to: **Used Cars, Automotive Executive, 8400 Westpark Drive, McLean, VA 22102-3593.***

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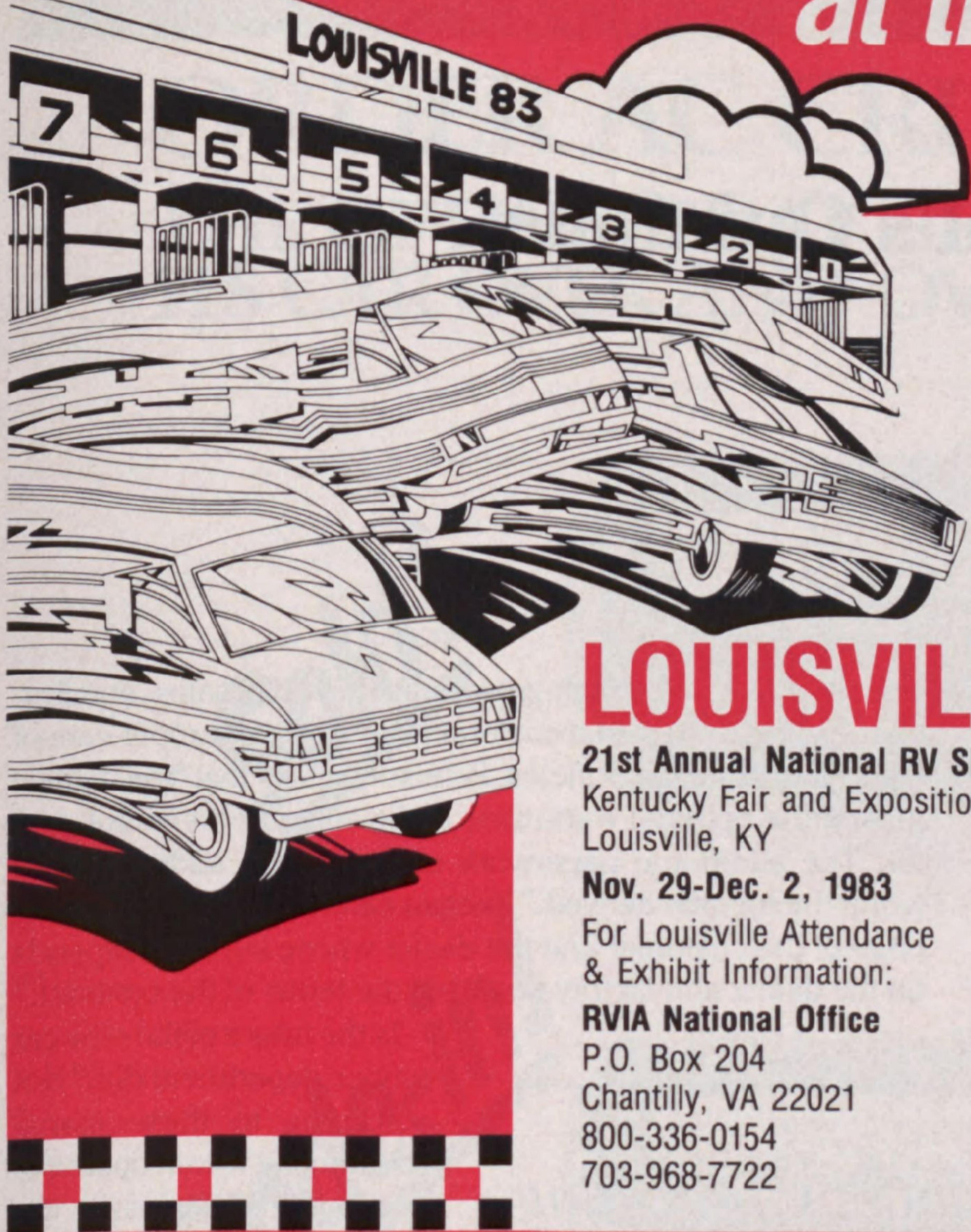
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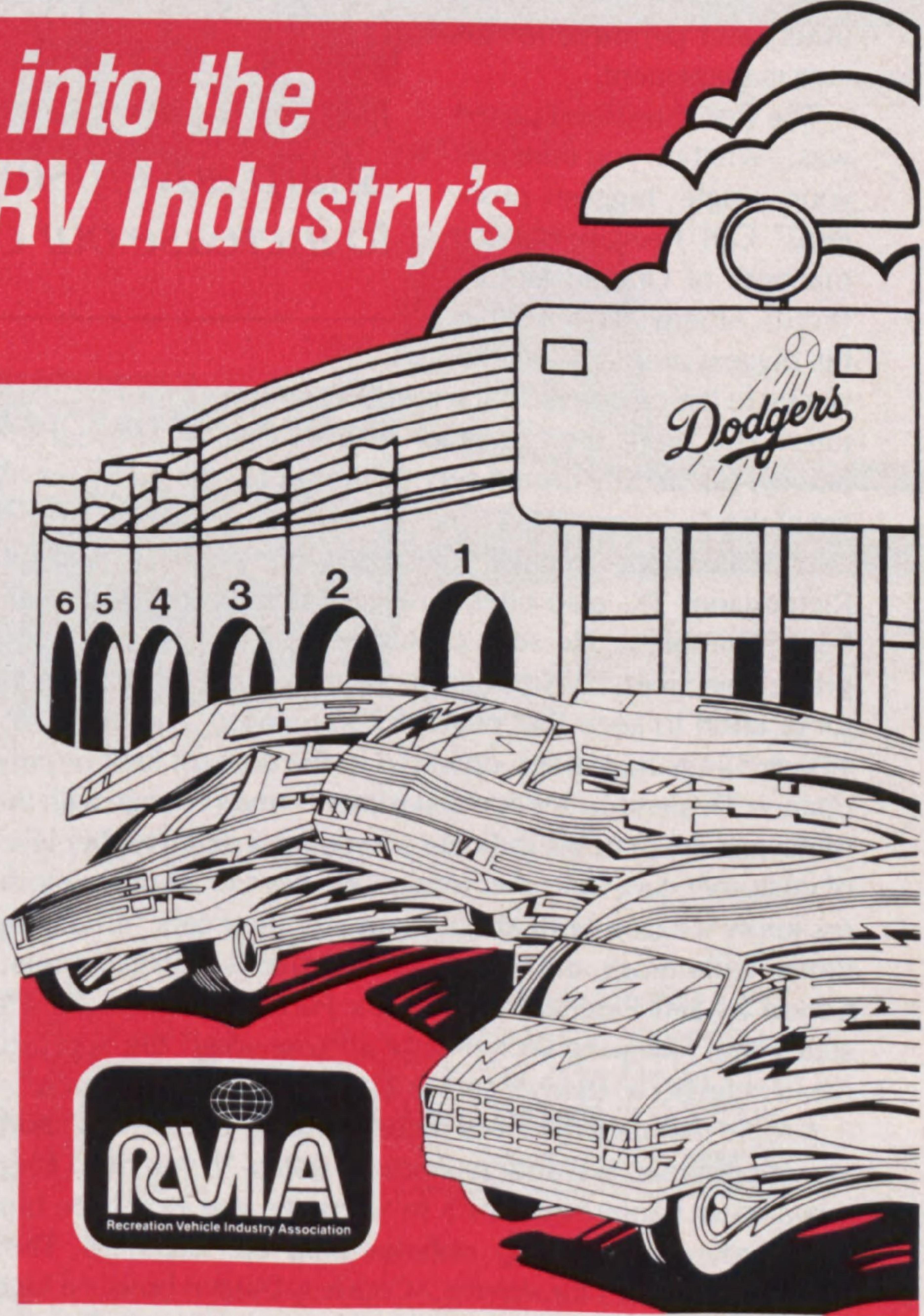
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(For more information circle #22)

## Management's Opinions

Under most circumstances, whenever a service manager attends a club or council meeting, the individuals are usually from the same geographic area, handle the same products and draw from the same pool of customers and employees. In order to obtain a broader view of the industry, I recently interviewed three service managers who are from different areas of the country and who represent different manufacturers. All of these managers operate relatively large departments and have outstanding reputations among their peers. I asked them to respond to three questions which I have found to be timely and pertinent to service management.

The first question I posed was, "What do you consider your single biggest problem?" Carl Keegan, service manager of Orange Motors (Ford), Albany, NY, feels that his biggest problem "is conveying to the customer that we work for him, not the manufacturer. The more the customer realizes that we are not the enemy, but an ally during service problems, the better we all get along."

Lon Forman, service manager of Courtesy Datsun, Richardson, TX, also cites customer relations as his single biggest problem. He sees customer retention as one of his prime objectives. "We may get a car in for service, but it takes a lot of effort to keep that customer's business. Too many service facilities have been operated in the past on luck or pure chance. Dealership service departments must change with the times and these times indicate a need for a much higher level of customer care than ever before. We have to let our customers know we care both about them and their cars." Changing times, technology and technical expertise is a problem mentioned by Jeff Peterson of Maroon Pontiac, Wayne, NJ. He states that "keeping technicians abreast of all the sophisticated changes in today's cars is of paramount importance."

A topic that usually draws mixed reviews, but never a shortage of opinions, is warranty. Forman states, "If you don't keep a customer happy while he's in warranty, you won't see him later. Extended warranty policies help our business. They bring in more cars for service." Courtesy Datsun boasts a high

purchase rate and a high growth rate in policy sales, and Forman feels confident that customers tend to take proper care of their cars due to the policies. Peterson agrees that "the biggest plus of the optional warranties is the customer retention factor. The additional paperwork involved," he adds, "is well worth the income derived." Keegan calls the warranty, "a marriage of the customer and the dealer whose success depends on the dealer and factory honoring the terms of the contract."

Is the future of the new car service department dim? Not according to these managers, among whom optimism and enthusiasm are the common denominators. Peterson says that service business "has got to be going up. Technology is eliminating much of the competition and increased factory support is boosting morale and public image."

Forman states that "increased growth and the elimination of the driveway mechanic are with us now and in the future." Keegan, agreeing with all these factors, adds that, "the future is excellent, providing we in the service business are prepared. Good equipment, training and sharp advertising should enable us to increase our customer retention."

There has been a major change in the past ten years in the job description and demands placed on the service manager. The change from a promoted technician to an all-out businessman is evidenced in the awareness and forward thinking of these three professionals. The need to do more than just operate from day to day, and the overall increased dependence of the dealership on the service department, has assured the importance of the service manager and his opinions.

Despite their different locations and representations, these three are all proponents of the same things: customer satisfaction, technical advancement and the positive effect of warranty on the service department. Regardless of the competition within the industry itself, these successful managers are united in their thoughts. □

This column is prepared for **Automotive Executive** by Ron Joffe, Service Director, Straub Motors Inc. All questions or comments pertaining to this column should be mailed to: **The Service Department, Automotive Executive, 8400 Westpark Drive, McLean, VA 22102-3593.**

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## Retail Finance Liability

**D**ealer recourse liability on retail truck financing has been a topic of much discussion in the past year. Dealers have suffered excessive financial exposure and significant losses due to the current recourse requirement policies of truck loan agreements. The problems have been severe enough that the need for quick solutions has been brought up at numerous dealer meetings. And the ATD committee has stated that, "Dealer recourse exposure is a critical threat to the health of franchised truck dealers." As this story goes to press, it appears that ATD and dealer efforts to accelerate change have had some impact. Some of the finance organizations state that they are preparing to make changes in retail truck financing policy that will be of benefit to dealers.

The root of the problem is simply that truck financing policies have not changed over the years to reflect basic changes in the truck sales industry. One dealer says that, "We have fi-

nancial policies that go back 20 years, but today's market is totally different from what it was like then." Under these financing policies, dealers are usually required to cover 15 percent of the original principal loan balance, with the liability remaining at a constant dollar amount, even as the loan balance decreases. In time of high interest rates and an increasing number of loan defaults, this liability can be devastating.

The recession, deregulation and stiff competition for a declining demand for trucking have all resulted in a relatively large number of owner-operators defaulting on loans. High interest rates have resulted in higher defaulted loan payoff amounts, since the early payments on truck loans contain a high percentage of interest. The combination of high interest rates and a poor trucking economy has resulted in many dealers taking losses far in excess of what has historically been the case.

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In past years, when interest rates were lower, the exposure of a dealer on the loan for any particular truck was usually equal to, or only slightly higher than, the gross profit on the sale. Now, however, heavy competition has lowered gross profits, and higher interest rates have increased dealer liability. The liability exposure on many retail truck loans is now often two to three times the gross profit on the sale.

While the application of the "Rule of 78" has slightly aggravated the problems caused by high interest rates, it has not been a major problem in itself. The "Rule of 78" will sometimes result in a slightly higher payoff on a defaulted loan. For early defaults, however, high interest rates are the primary cause of high payoffs, which in some cases may only be slightly less than the original financed amount.

While an improved economy (that reduces the number of owner-operators in financial trouble) and lower interest rates would help alleviate the problem, dealers are realizing that the only quick and lasting solution lies in changing the finance policies to reflect the changing market. More financing policies need to be made available to dealers and truck purchasers. Though non-recourse financing is available from some sources, it is only for extremely low risk customers. What is sorely needed, as one dealer says, is "a recognition of various degrees of risk." A middle ground needs to be developed between no-recourse financing for "gilt edged" borrowers and 15

percent principal balance recourse for all other borrowers.

Specific remedies that would help dealers include:

- Making no-recourse financing more widely available, but at a higher interest rate when justified by increased risk.
- Reducing the dealer recourse from 15 percent, to recognize that dealer gross profits are not as high as in the past.
- Decreasing the dealer liability as the balance of a loan decreases.
- Allowing a default payoff to be computed at the lowest amount of either the "Rule of 78" or a "true simple interest" calculation, thereby eliminating many of the problems resulting from application of the "Rule of 78."

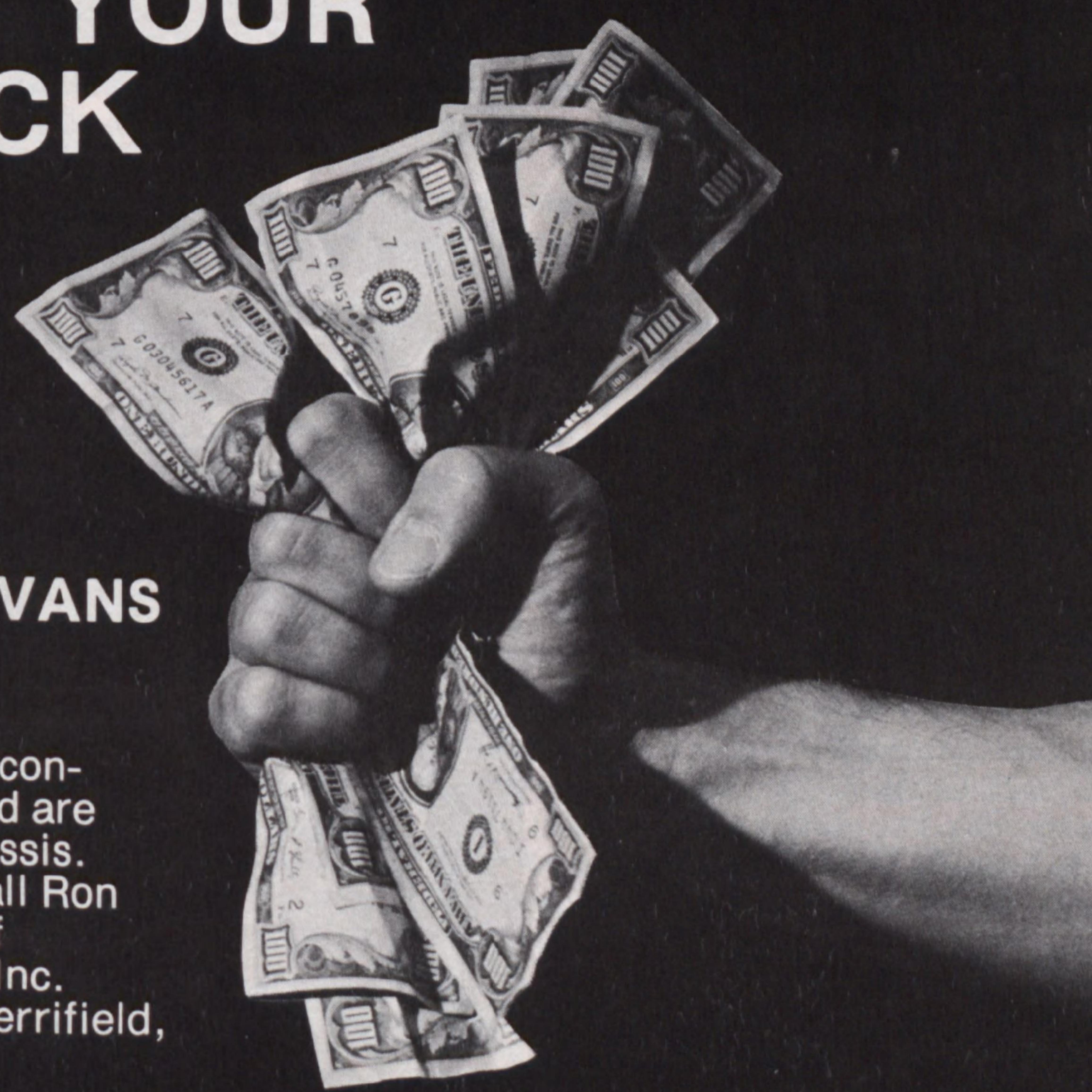
Finance companies need to realize that dealers, who are now taking a much greater share of the risk in retail financing, need help in reducing this risk. The remedies suggested here would work toward that end. As of this writing, it appears that some of the finance companies are considering adopting these changes. Dealers should encourage this trend and impress upon the finance companies that the health of the system is dependent upon these changes. □

*This column is prepared exclusively for **Automotive Executive** by David Paxson, director of NADA's American Truck Dealers Division. All comments or questions pertaining to this column should be mailed to: **Truck Focus, Automotive Executive, 8400 Westpark Drive, McLean, Virginia 22102-3591.***

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## Insider Language

**M**ost businesses have a language or jargon peculiar to that business. Insiders speak it and understand it, with no communication problems at all. The military speaks a jargon all its own, as do the agencies connected with the space program. People with CB units speak a language that only another "good buddy" can understand.

"Insider language," however, can be very intimidating to those unfamiliar with that jargon.

I was forcibly reminded of that the other day when I stopped at a "computer mart" to look over some models of home computers. Now, I know absolutely nothing about big or little computers except that I think they're getting smarter every day and before long will probably take over the world.

But the customers in that computer retail outlet know, or seemed to know, a lot about computers. So, of course, did the salespeople. They all spoke fluent "computerese," and everyone understood each other—that is, everyone but me.

I heard the words being spoken all around me, but none of them made any sense.

LED power...auto-screen shutoff...1-touch cursor control...ROM cartridge slot...disc drive...analog to digital input...potentiometer...software...programmable function keys...dot matrix...interface.

I started to copy down some of the unfamiliar words so I could look them up. I didn't have any problem with input/output or printout, but when they mentioned joy stick, I thought they were talking about the controls on a 1920s prop-drive biplane.

When the salesperson finally got around to me, I felt so intimidated by the insider language that I simply excused myself and walked out.

Although the salesperson assured me as I walked out that their computers were "user friendly," I didn't buy.

Then I began thinking about my own career as an automobile salesman. I wondered if I had lost any deals because I had used insider language that turned the customer off. How many new-car, used-car, truck and van sales had been lost because the customer felt intimidated by language that he or she did not understand? Perhaps it's better that we don't know for sure or else we'd all feel pretty guilty.

As these thoughts crossed my mind, a friend handed me a humorous piece that was supposed to be a letter written from a prospect to a dealership. I don't know if it's a genuine letter or not, and I don't know who wrote it—there's no signature. But I do know this. It hit home. It showed me just what a snow job insider language can be. I'll share portions of that letter with you. I acknowledge the unknown letter writer and wish him well.

He began his letter by complaining about the treatment he received when he visited a particular dealership. The first man he talked to switched him to another salesman because he

was a *be-back*, and the first man wasn't going to handle a *split*.

"The salesman tried to sell me a *90-day out-of-stater with cancer*," the letter writer continues. "It was a *six-banger with three on the post, red guts, music and heat that needs skins*.

"When I passed on that one, the salesman showed me a *cherry* equipped with a *grinder, air ride windows, seats and air that blew cold with a helper*. He stated that I could steal it for *two back of book*, but would have to *deal today* for it was a *special*. He told me he was on my side, because he needed this one to make the *bonus*.

"After he wrote it up, he returned to the booth and said we have to *knock the trade* a bit because the boss said it was a *roach* that had to be *dumped on the iron lot or rolled around by a two-bitter to bail out* of it.

"He explained that I was *buried a load in my toad*, but he would try to *mouse* me for a *down stroke* if I would *hock my sticks and come up with a co-pilot*. When I agreed, the finance man came in and called the banker to see if they would *carry the back end*. He explained that I wasn't *gold-plated*, had been a *floater*, looked like a *skip* and so on. When I didn't smile during this conversation, he suggested to the salesman that I must be a *squirrel* because I didn't act like the usual *grapes, mullets and lay-downs*.

"The *T.O. man* was out for a *nooner*, so I was turned over to the *F&I man* who tried to *bust* me for *A&H, Life, Deduct, PL&PD*, and when I didn't buy the *whole ball of wax* he said I was a *pipe-smoking slide ruler*.

"The salesman finally shoved a *paper* down, *laid off the back, curbed my sled, explained the pickies and monthlies, papered the car and rolled me*.

"The question is, did I buy a car?"

Well, who knows? I've been in the business for years and even I don't understand some of that insider language. Sure, we all know what a *be-back* is and everyone knows what the *whole ball of wax* means.

The main thing to remember is that you can't sell yourself if you don't speak the customer's language. If his financial status is such that financing will require a co-signer, say so, don't tell him he needs a co-pilot. Always use words the customer understands, whether it's about a new or used vehicle, the trade-in or the financing. If you talk over his head or use words that only those in the dealerships comprehend, then you're bound to, at worst, intimidate him, and at best, frustrate him.

To sell yourself successfully, you have to express yourself well in words your customers understand. □

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(For more information circle #19)

## A Tool For Sales Managers

**"Increasing the Effectiveness of the Field Sales Force;" by J. Donald Staunton; CBI Publishing Co.; Boston, MA; 1983; 275 pages; \$59.95.**

This book is different in many ways. First, it's in a loose-leaf binder rather than bound. Normally when this is done, both the author and publisher intend the work to be an on-going "service" for annual fees, but that doesn't seem to be the case here.

With this unusual format, the author seems to be saying that he wants to reader to participate in the book by adding his or her own notes directly to the pages. Perhaps the easiest way to categorize "Increasing the Effectiveness of the Field Sales Force," is as a sales manager's desk book. It serves as a reference tool about how to accomplish various sales tasks, and as a fill-in-the-blanks workbook that you can tailor for your individual needs.

For the experienced sales manager in a large company, the book offers little that's new. Most veteran corporate sales managers are already familiar with many of the author's main points: management by objective, selling by objective, Mas-

low's hierarchy of needs and the Blake-Mouton sales grid.

Even though the veteran sales manager may already be familiar with these concepts, however, there is definitely a place for this work. Sales managers in medium-sized and smaller businesses, whose resources don't allow for on-going management training, will find a wealth of information in "Increasing the Effectiveness of the Field Sales Force." It's well-conceived and well-organized, and includes all the latest thinking in sales management.

The premise that underlies much of the book is a valid one: The best salesperson on a company's staff is not necessarily the best sales manager. Too frequently, especially in medium-sized companies, the top salesperson is given the job of managing other salespeople. Sometimes this is done because it's the only way left to reward the star performer. Other times the promotion is made because senior managers are uneasy about the amount of money being made by the leading salesperson and want to add to his duties. Neither is a justifiable reason for promoting the top hand on your sales team.

Even though the book doesn't introduce any new concepts, it manages to touch on virtually everything of importance to sales management in their day-to-day activities. The section on selecting salespeople, a task many small companies perform poorly, is especially good.

The book's single greatest weakness is the lack of a comprehensive index. On a cover to cover first reading, there may be no need for this. But the lack of an index for a book that's in part designed to be a reference manual can drive any reader up the wall. The book includes too much information for there not to be a general index.

Although at first glance the price tag of nearly \$60 may look steep, the book is fairly competitive with other types of desk books and well worth the money. If you're a new sales manager, or part of sales management in a small or medium-sized company, this book is as fine a ready reference tool for your job as you'll find. □

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*This column is prepared as an automotive exclusive for **Automotive Executive** by Henry Holtzman, a nationally known business writer. All comments or questions pertaining to this column should be mailed to: **Business In Print, Automotive Executive**, 8400 Westpark Drive, McLean, VA 22102-3593.*



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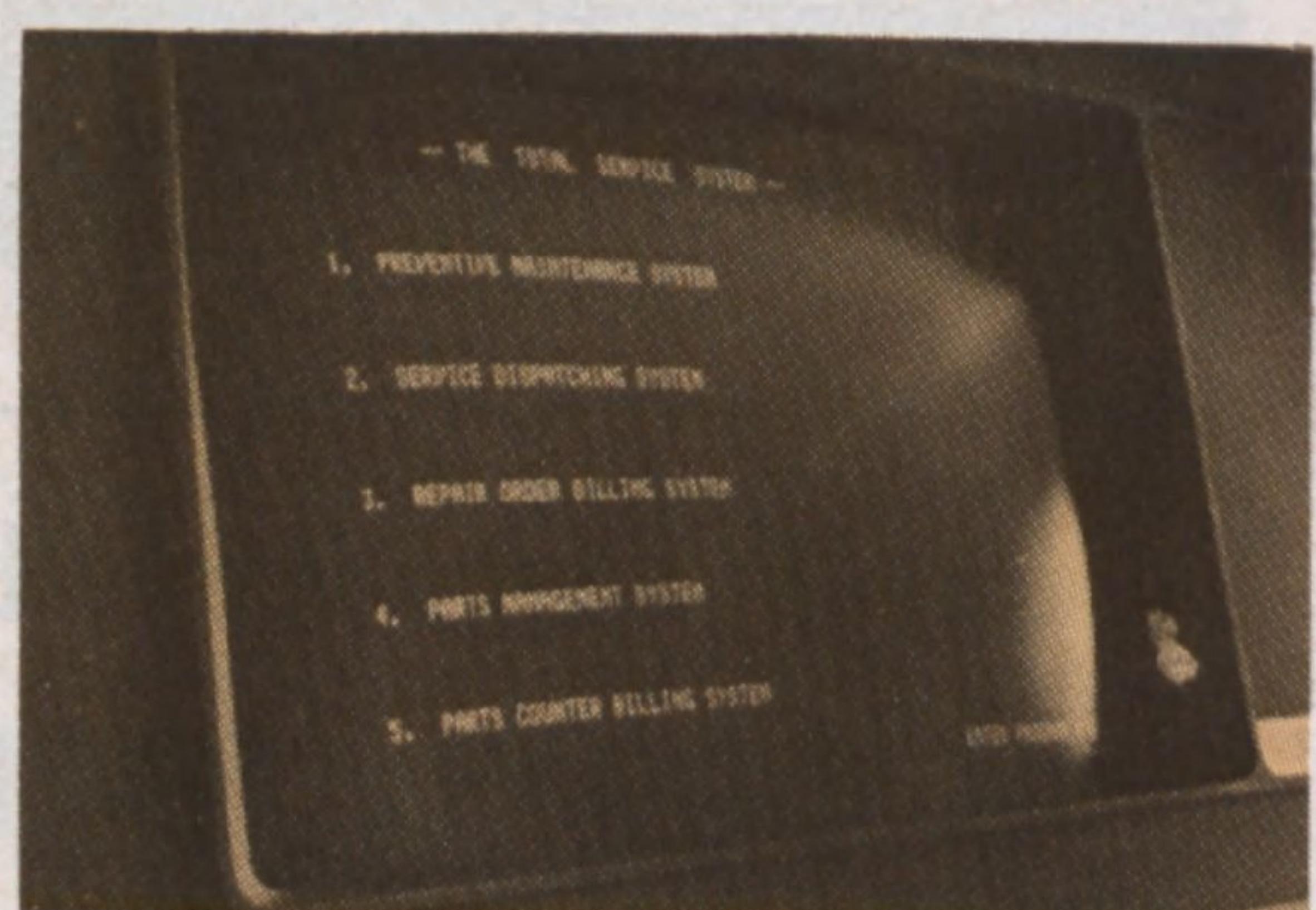
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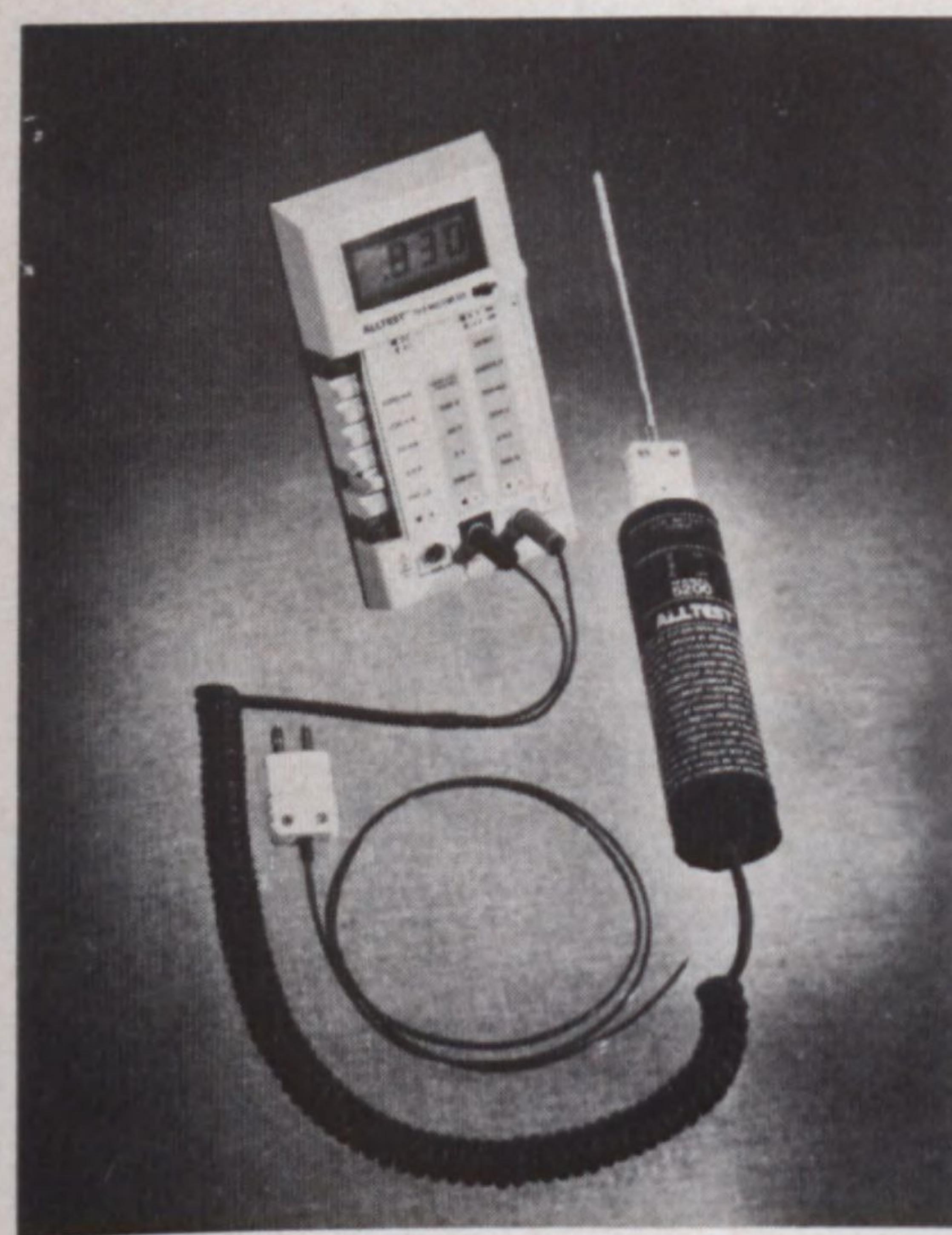
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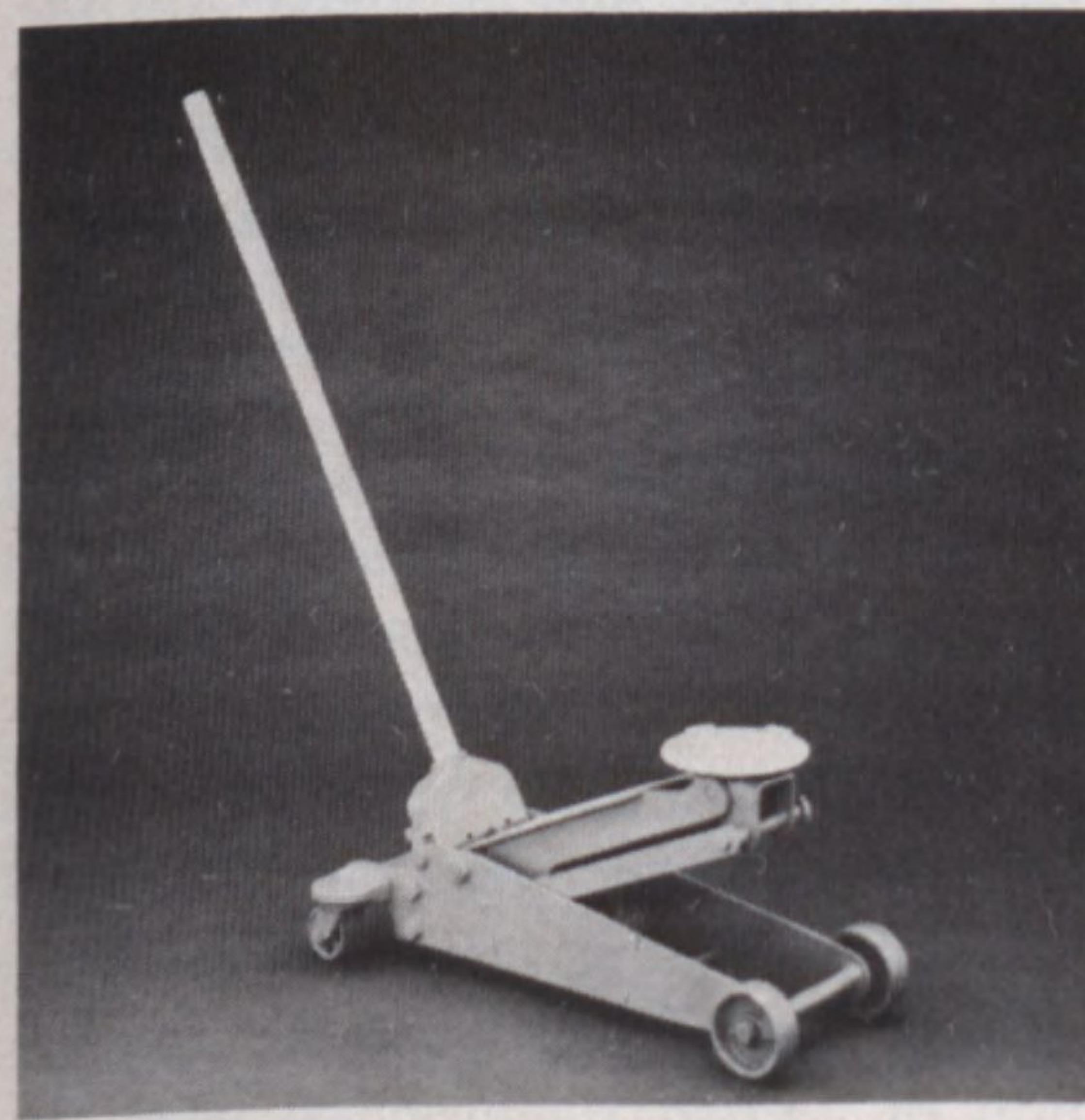
(For more information circle #12)

# Special Showcase : Service Equipment



A new auto-ranging tool that measures temperature from -40°F to 2500°F has been developed by All-Test Inc. for use as an accessory to any voltmeter, digital or analog, which has input impedance of more than 12,000 ohms. Major uses of the tool include diagnostic testing of computerized engine controls; coolant temperature (thermostat opening); diesel engine troubleshooting; air conditioning diagnosis; and tune ups. Manufacturer: All-Test Inc., Rolling Meadows, IL. ■

**(For more information circle #81)**

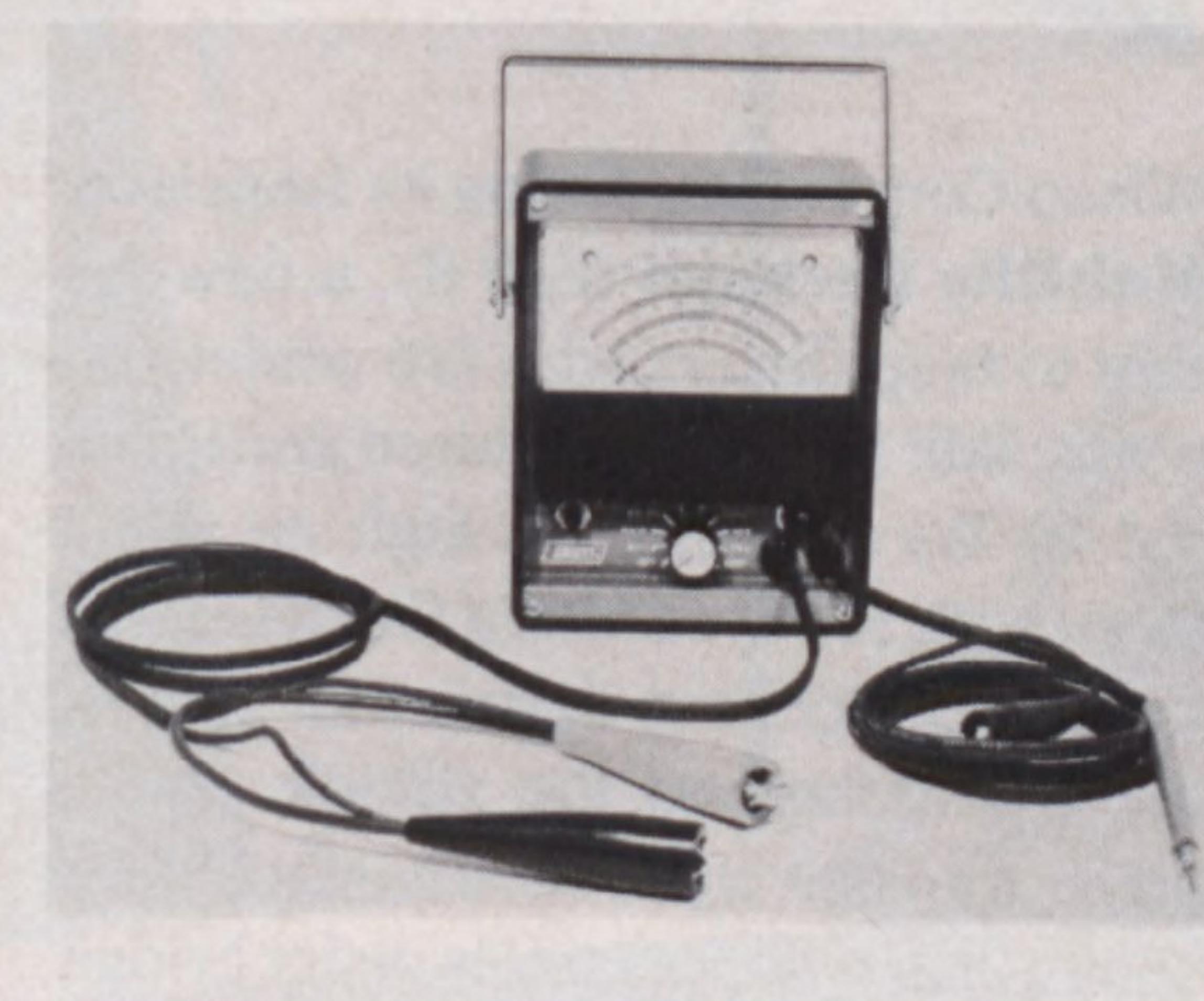


Hein-Werner Corp. is introducing its new "World Series" line of **jacks** and service equipment. The line features a wide variety of hydraulic hand jacks, a rugged 2½-ton service jack and two sets of vehicle stands in 2½-ton and 5-ton capacities. Manufacturer: Hein-Werner Corp., Waukesha, WI. ■

**(For more information circle #82)**

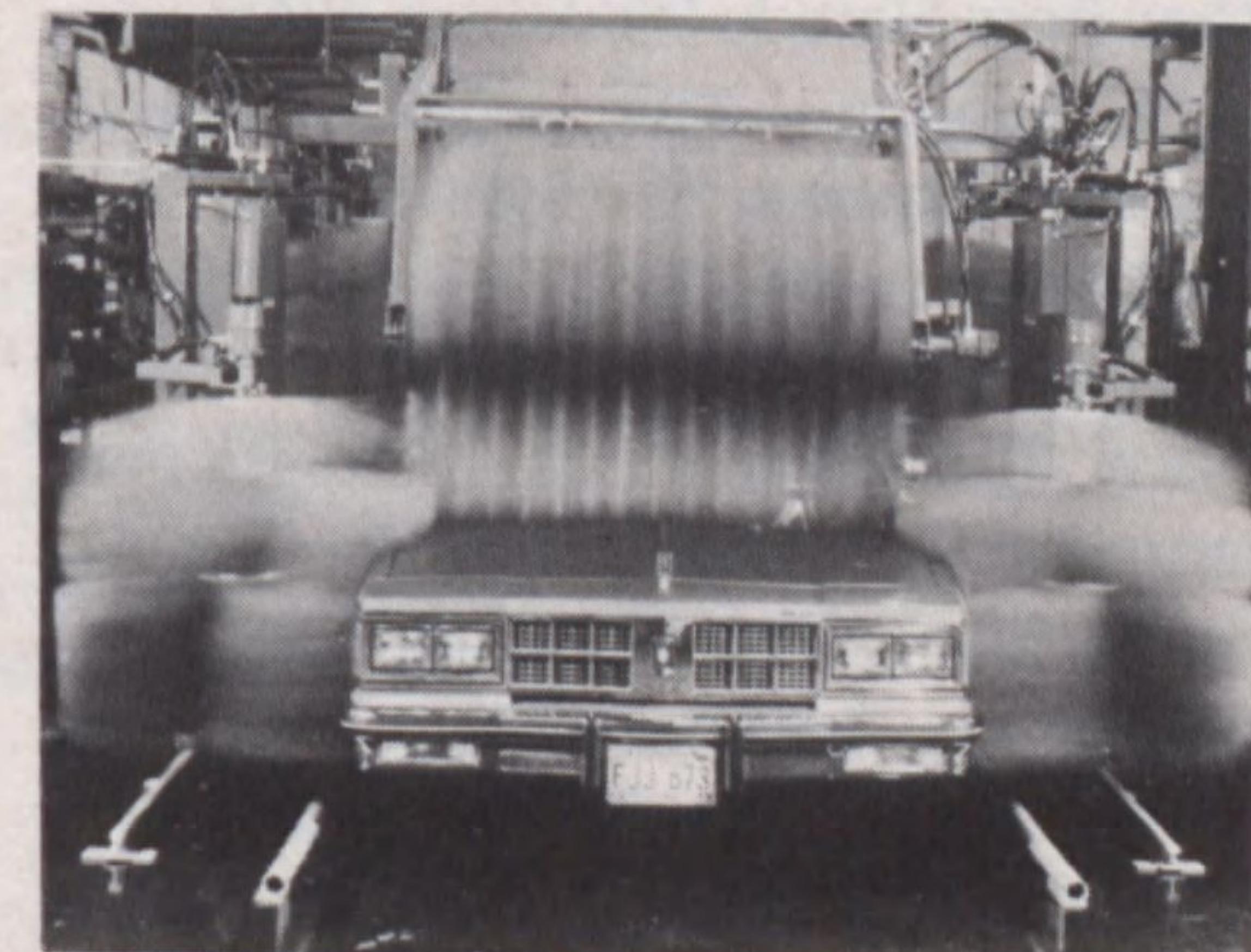
A new **volt-ohm-amp continuity electrical tester** is being introduced by AMTEST Inc. According to the manufacturer, the unit can quickly and accurately check all charging and starting problems, such as solenoid, voltage regulator, electronic ignition components, distributor and coil resistance, accessories, battery cable voltage drop and primary voltage. Manufacturer: AMTEST Inc., Kalamazoo, MI. ■

**(For more information circle #83)**



Snap-On Tools Corp. says its **Digital Tach-Dwell/Duty Cycle Meter** offers a convenient, accurate means of monitoring engine rpm and fuel control dwell/duty cycle on CIS and CCC fuel-injection systems. The meter simultaneously displays engine rpm in easy-to-read lighted digits and ignition system dwell or fuel system dwell/duty cycle for 4-, 6- or 8-cylinder engines without setting any switches. The two meter halves also can be operated independently of each other. Manufacturer: Snap-On Tools Corp., Kenosha, WI. ■

**(For more information circle #84)**



NU\*STAR is introducing the first fully automatic **roll-over car washing system** incorporating cloth pads instead of conventional brushes. The company says the new car wash polishes the paint finish while it washes vehicles, and does not leave the tell-tale swirl marks commonly found with brush car-washing systems. The unit will wash all standard-size vehicles from subcompacts to vans. Manufacturer: NU\*STAR, Boulay Marketing Corp., Minneapolis, MN. ■

**(For more information circle #85)**



Optibelt Corp.'s Super FX **fan belts**, designed to meet the growing demands of the new front-end drives, are now available in the U.S. According to the manufacturer, the Super FX fan belts last longer than conventional fan belts under the higher output demands of today's import car engines. The fan belt's raw edge molded cogged construction was designed to provide higher resistance to flex-fatigue, reduce sectional distortion and keep operational stretch to a minimum. Manufacturer: Optibelt Corp., Addison, IL. ■

**(For more information circle #86)**

October's "Special Showcase" features auto sound products. Please send a press release and a black-and-white glossy photograph of your product for consideration to: Joan Rubin, Showcase Editor, *Automotive Executive*, 8400 Westpark Drive, McLean, VA 22102-3593. Materials must be received by August 20.

## Showcase: What's New On The Market

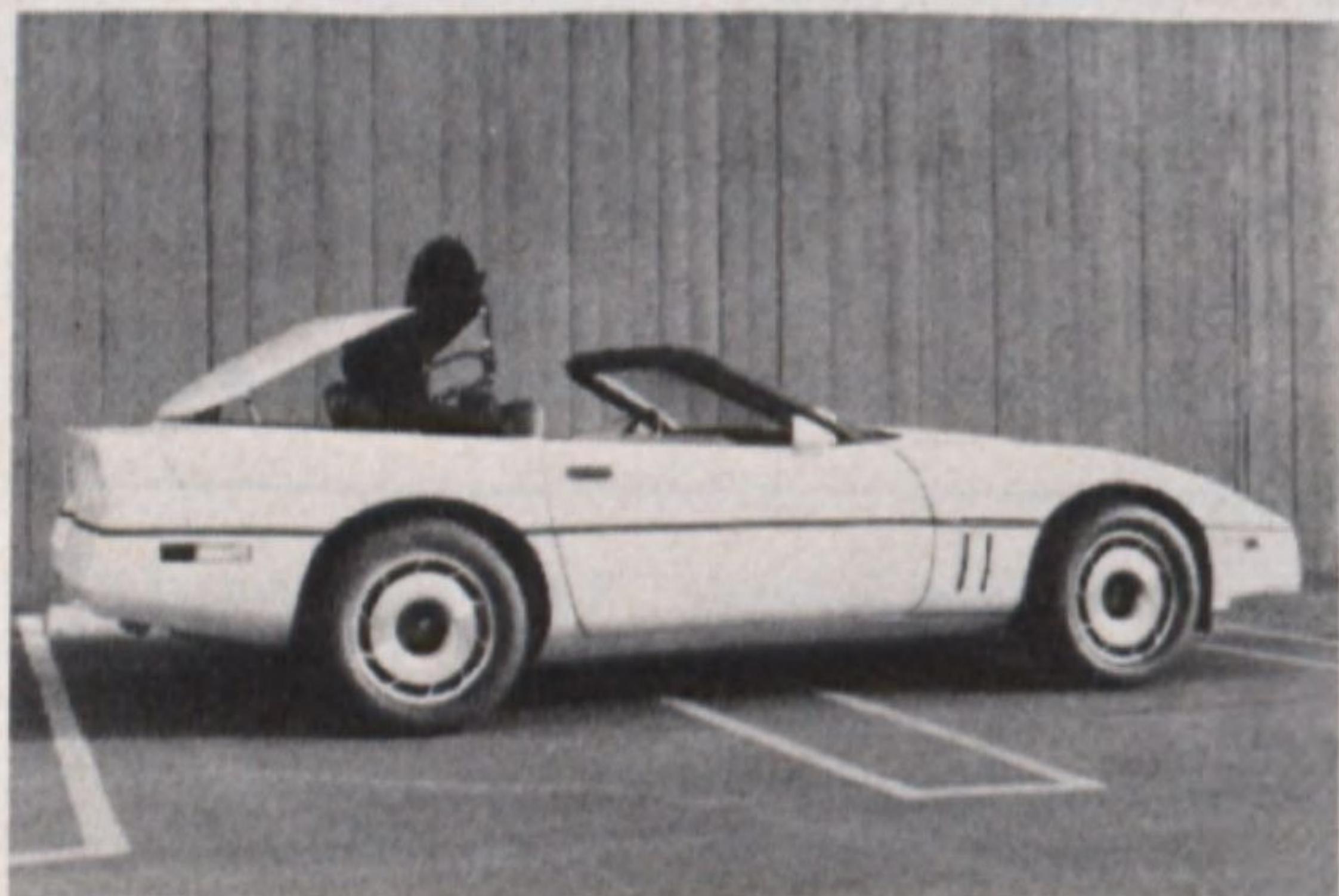
New from Harada Industries of America is a fully automatic, AM/FM "mini" **power antenna**. The lightweight, compact antenna can be easily installed in almost all auto models on the road today. The unit features watertight construction and comes in a chrome-plate finish. Manufacturer: Harada Industries of America, Compton, CA. ■

(For more information circle #87)



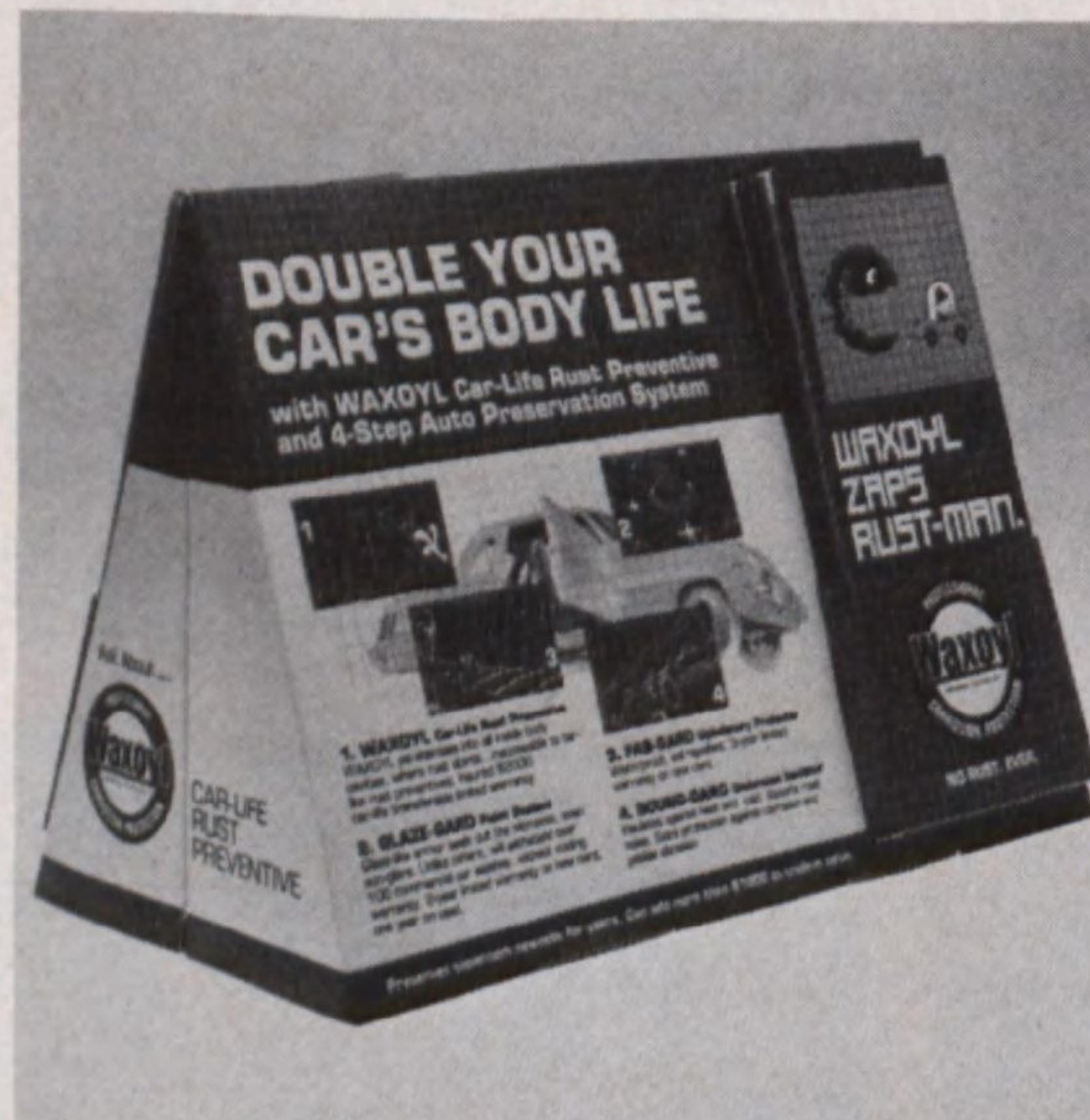
Available from Convertible Concepts Ltd. is the 1984 **Corvette Sunray convertible**, the first convertible version of this American sports car. The Sunray features a power top of the finest "Stafast" canvas, a luxury interior headliner and an electronic fiberglass pop-up boot cover. Options include a remote control device for the raising and lowering of the top, and a power top latching mechanism. Manufacturer: Convertible Concepts Ltd., Blaine, WA. ■

(For more information circle #88)



Wisco Corp. is introducing its **Improved Mobility Package** (IMP II), a new system to help drivers who are wheelchair users. IMP II is manufactured and installed by Wisco Corp. through an agreement with the Ford Motor Co. The IMP II features a docking device that secures the wheelchair to the vehicle during driver transfer, a power-adjustable front bench seat with integral transfer bridge, an electrically powered wheelchair retriever, and a specially equipped IMP II wheelchair to match the docking and retrieval mechanisms. Manufacturer: Wisco Corp., Ferndale, MI. ■

(For more information circle #89)

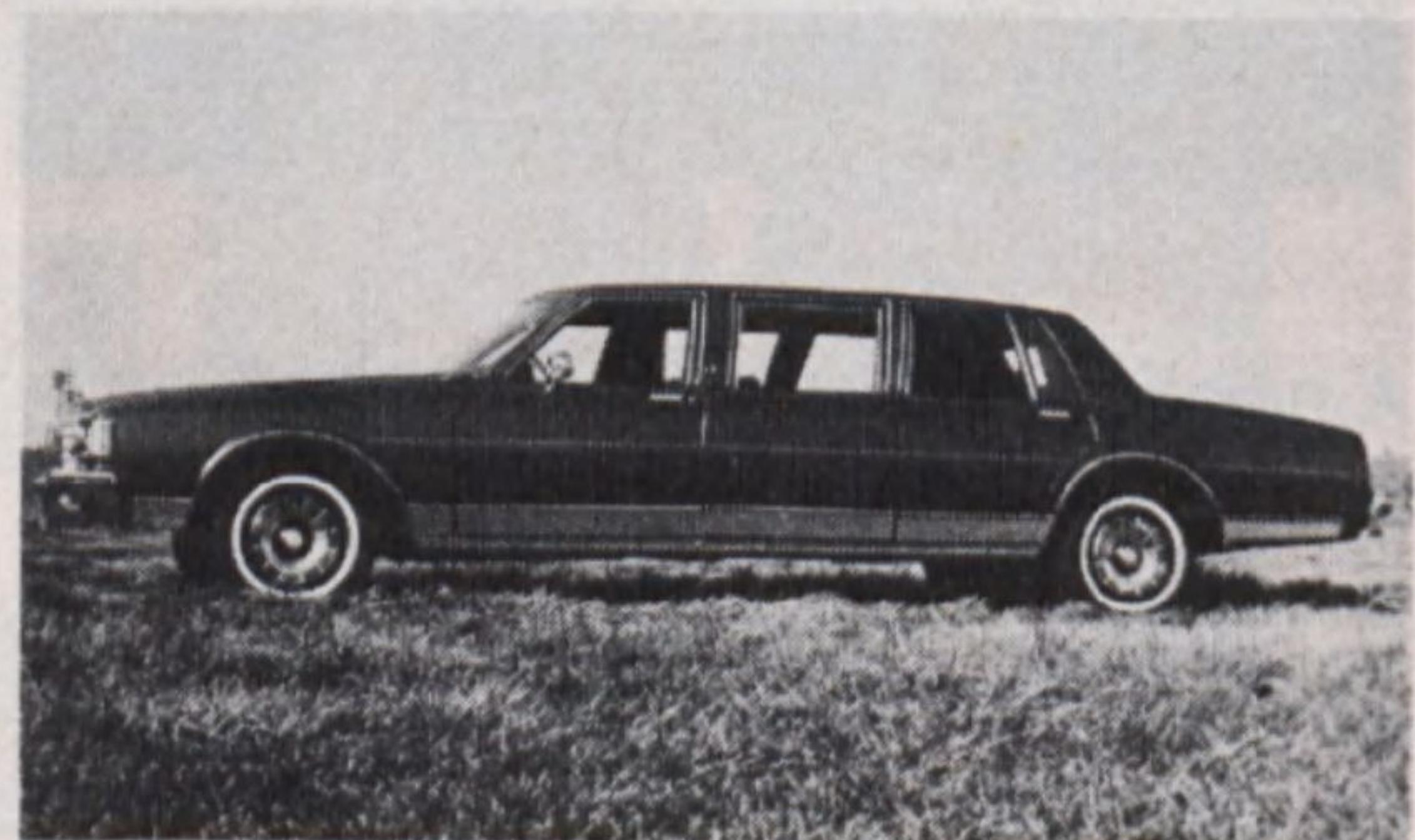


Automotive International Inc. has available a new full-color **"tent" sales aid display** for its Waxoyl rust preventive. The sales story is the same on both sides of the display, which provides pockets for offering detailed folders. The display speaks for itself and puts a message in the salesperson's mouth. Manufacturer: Automotive International Inc., Cincinnati, OH. ■

(For more information circle #90)

Wheelways is planning to make funding available to the rent-a-car industry. The program is designed to provide vehicle "asset lending" for new and used cars for rent-a-car companies for their normal fleet financing needs and dealerships for shop loaners, rentals and demonstrator units. Funds for this program are being made available through an agreement with Maguire Acceptance Corp Inc., which is underwriting the program. Manufacturer: Wheelways, Wynnewood, PA. ■

(For more information circle #91)



American Pullman Coachbuilders Inc. is introducing its all-new Chevrolet Caprice Corporate Executive **Limousine**. The limousine features rear facing seats, console, rear privacy windows, rear controlled air conditioning and heating, dash control air shock suspension and stylish extra-wide chrome rocker moldings. It comes with a 5.0 liter V8 engine and all heavy-duty options. Manufacturer: American Pullman Coachbuilders Inc., Brooklyn, NY. ■

(For more information circle #92)

Ziebart Rustproofing Co. has developed a **rust eliminator process** for used cars that it claims represents a breakthrough in rustproofing technology. The process involves two steps: Active rust is chemically converted to a beneficial protective coating; long-term rust protection is then assured with the application of Ziebart rustproofing sealants. Manufacturer: Ziebart Rustproofing Co., Troy, MI. ■

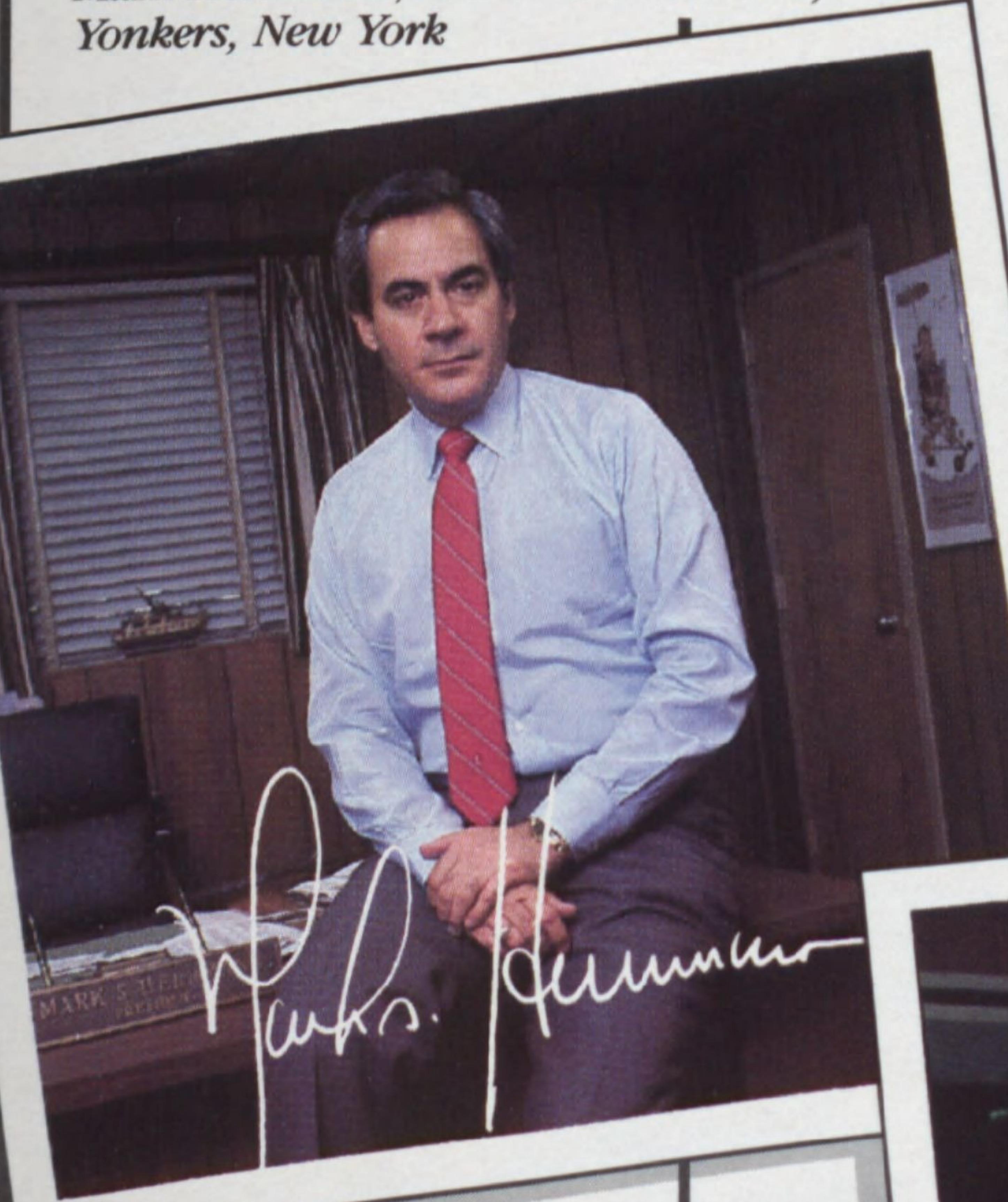
(For more information circle #93)

*Information and photographs of products listed in "Showcase" have been provided via manufacturer's press releases. A product's appearance in this column in no way implies endorsement by either NADA, the NADA Services Corp., or Automotive Executive.*

# TRI-FREEDOM SPEAKS FOR ITSELF. JUST ASK OUR CUSTOMERS.

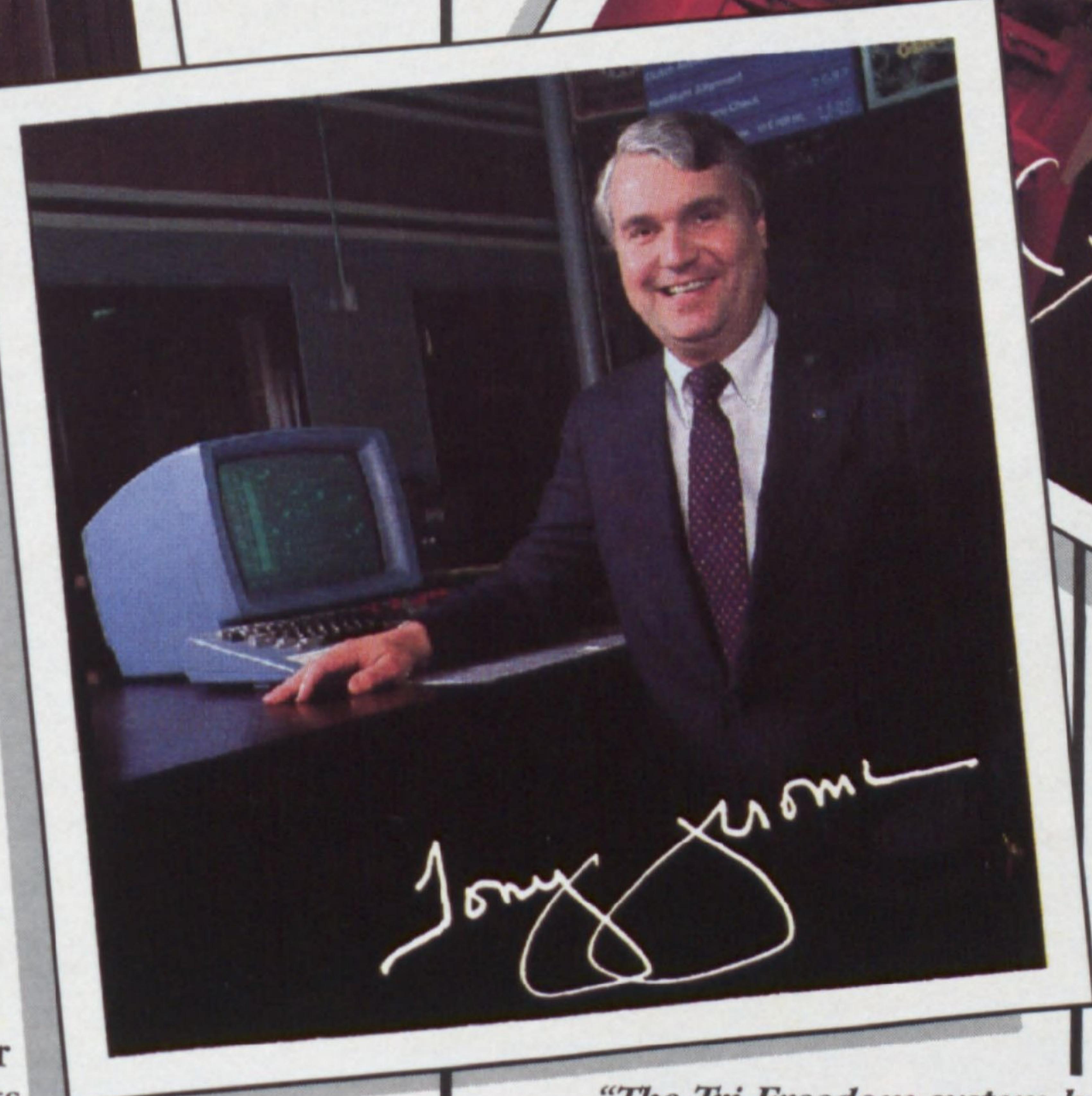
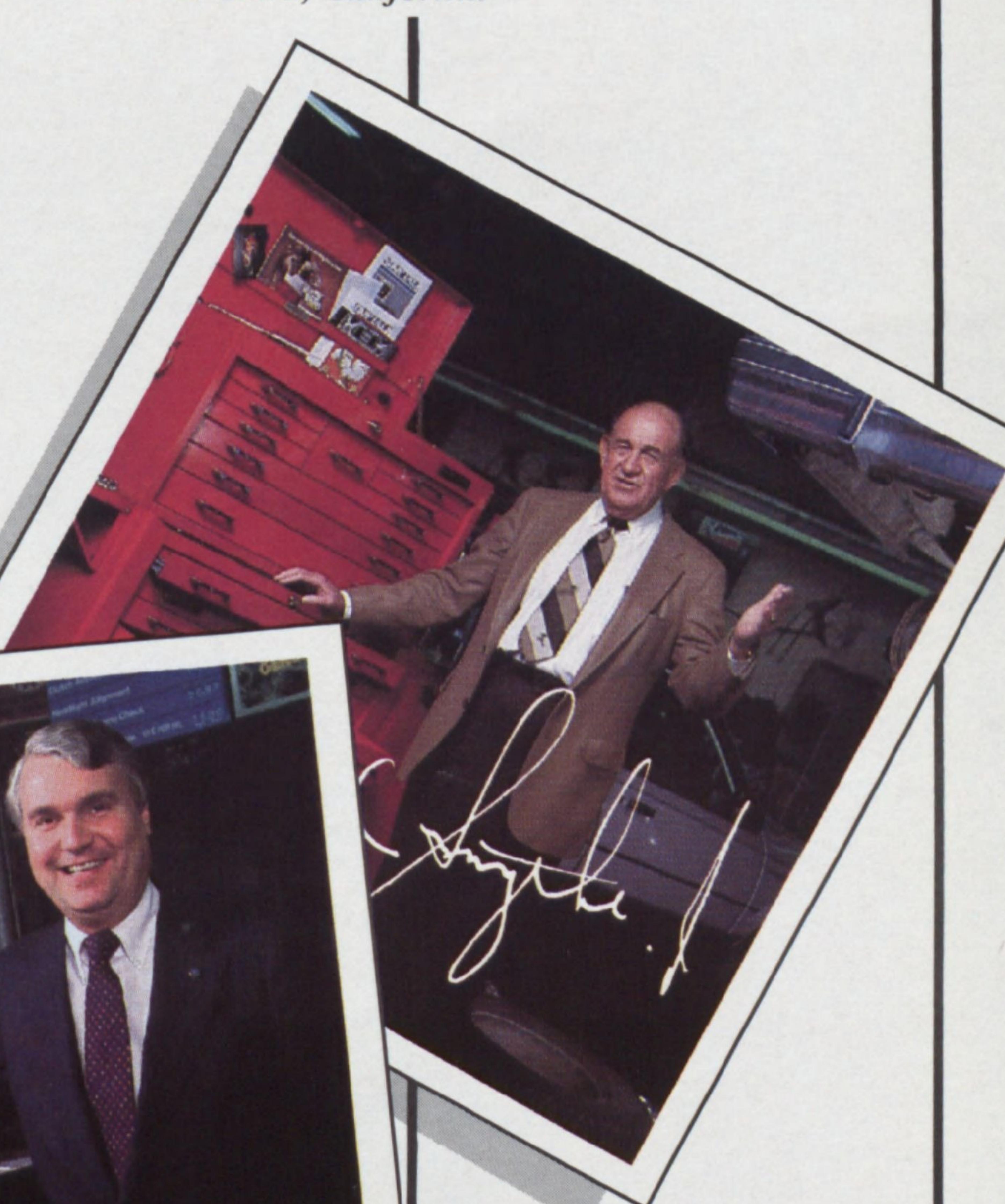
*"The Tri-Freedom system has aided us immensely in reducing unapplied time and in increasing customer satisfaction. In addition, I am extremely pleased with the service and support Tricom has given. They have far exceeded even my most optimistic expectations."*

Mark Herrmann, *Mark Buick-Subaru,  
Yonkers, New York*



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